Austria	Sch22	Indonesia	Rp2400	Oman	Or1		
Bahrain	Din0.750	Iran	[illegible]	Peru	[illegible]		
Belgium	BFr60	Israel	[illegible]	Portugal	Esc140		
Cyprus	C£0.60	Italy	L1800	Qatar	QR10		
Denmark	DKr10.00	Jordan	[illegible]	S.Arabia	Rls7.50		
Egypt	E£2.25	Kuwait	[illegible]	Singapore	S$4.10		
Finland	FMk7.00	Lebanon	[illegible]	Spain	Pta140		
France	FFr7.00	Lux	LFr60	Sweden	SKr16		
Germany	DM2.20	Malaysia	Rkt4.25	Switz	SFr2.40		
Greece	Dr155	Morocco	Dh9.00	Thailand	Bt45		
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800		
Iceland	Ikr165	Nigeria	Naira18	Turkey	L3300		
India	Rs15	Norway	NKr10.00	UAE	Dh7.50		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,004 — Tuesday November 21 1989 — D 8523A

CANADA
Nomadic band takes on Nato
Page 6

World News

Khmer Rouge guerrillas gain ground in Cambodia

Several thousand Khmer Rouge and western-backed guerrillas overran Cambodian government positions controlling a highway and railway leading to Thailand, Thai officials said.

Diplomats said the targets were government garrisons at the border town of Poipet and artillery positions at Nimit, Svay Chek and several other small towns. Page 4

Bush backs Cristiani
President Bush strongly supported the efforts of President Alfredo Cristiani to restore order in El Salvador and said any Congressional cut-off of US aid was unacceptable. Page 26

Moscow rejects bill
The Supreme Soviet rejected as insufficiently radical a government bill to give republics more control over their economies. Page 2

China rethinks 1997
China is considering measures to restrict political activity in Hong Kong after it reverts to Chinese rule in 1997, according to media reports. Page 4

Brazil's Lula to run
Fernando Collor de Mello, former state governor, appears likely to contest the December 17 second round presidential election contest against Luis Inacio Lula da Silva, known as Lula, the socialist Workers' Party candidate. Page 7

EC social charter
A far-reaching programme of legislation covering work conditions, health and social security issues was announced by the European Commission, as part of plans for putting a Social Charter in place. Page 2

SA call for inquiry
The South African Government has come under increasing pressure for a judicial inquiry into claims by former police captain Dirk Coetzee, a member of assassination squads which were allegedly formed to murder political opponents. Page 5

No vote to autonomy
A Moslem boycott and a strong Christian "No" vote appeared to thwart an autonomy plan for the southern Philippines.

Soviet space laser
A defecting Soviet scientist had revealed details of space-based Soviet laser weapons capable of attacking US satellites and ballistic missiles, according to reports in the Washington Times citing Bush Administration intelligence sources.

Kuriles proposal
The Kurile islands, held by the Soviet Union but claimed by Japan could be the site for joint ventures and other international business projects, Soviet diplomatic sources in Tokyo said.

UK soldiers killed
Eight British guardsmen were killed and 13 injured in Cyprus when a military truck went off the road in the Troodos mountains.

Change of weekend
Egypt's official weekend is to move forward by one day under a surprise decree announcing that government offices and many public sector companies should close on Thursdays and Fridays.

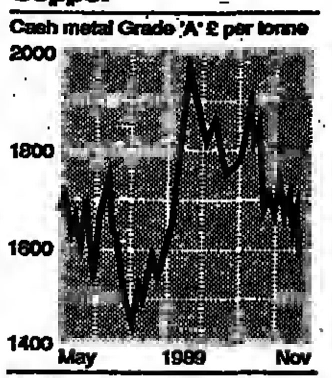
Business Summary

Peking plans to take major role in Hong Kong aviation

The China International Trust and Investment Corporation, Peking's private sector investment arm, plans to obtain an indirect listing on the Hong Kong stock exchange, and a major voice in the colony's aviation industry.

The plans would allow Citic to take a 12.5 per cent stake in Cathay Pacific Airways and a 25.7 per cent stake in Dragonair, a fledgling airline in the colony, in a move that would end years of fighting over air traffic rights. Page 27

COPPER closed at the lowest level for nearly four months on the LME – down £30 a tonne at £1,482 – reflecting



weakness in New York and a rise of 12,000 tonnes in LME warehouse stocks last week. Commodities, Page 42

US hi-tech industry: executives in the US electronics industry and congressional supporters gathered in Washington to launch a campaign opposing cuts in government funding for collaborative high technology research. Page 7

IMF resources: senior officials from the Group of Seven leading industrial countries met in London amid signs that the US is now prepared to support an increase in the resources of the IMF. Page 7

QINTEX: confusion surrounded the future of Australia's besieged Qintex group after Christopher Skase sought the court appointment of a receiver-manager for his ailing TV and resorts empire. Page 28

STATOIL, Norwegian state oil company, plans to invest between NKr8bn and NKr10bn ($1.15bn-$1.44bn) until 1995 to produce petrochemicals, methanol and methyltertiary butyl ether. Page 30

BASF, W German chemicals concern, said pre-tax group profits jumped 22.1 per cent to DM3.23bn ($1.74bn) in the first nine months of this year. Page 29

SAMSUNG Group, South Korea's largest company, with $31bn in annual sales, is considering a major revision in its business strategy. Page 28

CHINESE cars: China has begun a rescue operation for the foreign car manufacturing joint ventures which have stopped production because of huge stockpiles. Page 26

OUTOKUMPU, Finnish mining and engineering group, is investing $175m in Chile to secure copper supplies. Page 28

ESSO Production Malaysia, a unit of Exxon, US oil giant, will invest 10bn Ringgits ($3.7bn) over the next decade in a gas project. Page 9

IMPERIAL Hotels of Thailand announced it would shortly seek a listing on the Securities Exchange of Thailand and revealed expansion plans that could make it the country's largest hotel group. Page 28

LI KA-SHING, head of Hong Kong's biggest business empire, headed by Cheung Kong, intends to diversify its investments into south-east Asia, Canada and elsewhere during the next few years. Page 4

MARKETS

STERLING
New York lunchtime: $1.5593
London: $1.559 (1.569); DM2.8625 (2.89); FFr9.74 (9.83); SFr2.545 (2.5625); Y225.25 (226.5); £ index 87.5 (88.1)

GOLD
New York: Comex Dec $393.5 (395.8)
London: $396.25 (391.25)

N SEA OIL (Argus)
Brent 15-day Jan $18.6 (18.525)

Chief price changes yesterday: Page 27

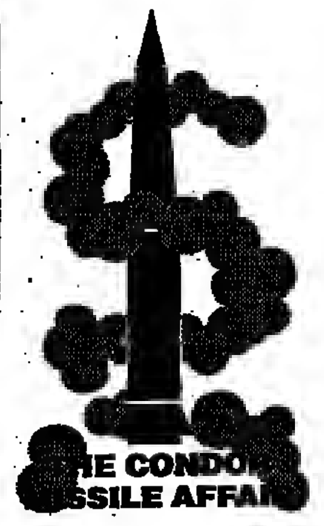
DOLLAR
New York lunchtime: DM1.83545; FFr6.2485; SFr1.63155; Y144.475
London: DM1.836 (1.8425); FFr6.2475 (6.265); SFr1.632 (1.633); Y144.45 (144.4)
$ index 70 (same)
Tokyo close: Y144.87

US LUNCHTIME RATES
Fed Funds 8½%
3-mo Treasury Bills: yield: 7.9%
Long Bond: 102 13/32
yield: 7.91%

STOCK INDICES
FT-SE 100: 2,183.1 (−38.3)
FT Ordinary: 1,734.1 (−35.2)
FT-A All-Share: 1,096.62 (−1.5%)
New York lunchtime: DJ Ind. Av. 2,623.51 (−29.15); S&P Comp 338.5 (−3.11)
Tokyo: Nikkei 35,893.58 (−70.16)

LONDON MONEY
3-month interbank: closing 15 5/16% (15 1/16)
Liffe long gilt future: Dec 90 11/32 (90 23/32)

MARKET REPORTS: CURRENCIES, Page 50; BONDS, Pages 31, 32; COMMODITIES, Page 42; EQUITIES, Pages 43 (London), 51 (World)



US inadvertently helps Iraq boost missile capability

By Alan Friedman in New York

THE UNITED STATES has inadvertently helped Iraq strengthen its ballistic missile and chemical warfare capabilities because of what Western officials describe as the mishandling of intelligence data and a series of bureaucratic conflicts in Washington.

The unwitting American assistance to Iraq includes the approval by the National Security Council of several export licences for the shipment of technologies which have been used for military purposes by Baghdad.

These embarrassing slips in the US Administration's safety net to limit Third World missile proliferation has helped Baghdad achieve some of the capabilities needed for its Condor 2 missile, a two-stage nuclear capable rocket with a range of up to 1,000km and added a potentially destabilising factor in the already volatile Middle East.

Officials in Washington, London and Jerusalem say that Baghdad has made great strides recently toward achieving a vertically integrated military production complex that will allow for most stages of weapons manufacturing, from the cutting of metal components to the preparation of solid fuel rocket propellants.

Iraq has also developed its own international procurement network, which operates both legally by importing materials from established US and European companies and illegally by the use of front companies, money laundering and smuggling. Despite this network Iraq still lacks important guidance technology for the Condor 2.

The Condor 2 has been developed under conditions of the strictest secrecy in collaboration with Egypt and Argentina. Western intelligence agencies have been monitoring its development for five years.

Aside from the US, companies in other Nato member countries such as West Germany, Italy and France have also been cited as having provided Iraq with sensitive technologies.

Several factors have combined in the Iraqi affair to cause what some officials say is one of the most serious US intelligence failures in recent years. These are:

● US Government failure to stop the Atlanta, Georgia branch of Banca Nazionale del Lavoro (BNL), Italy's biggest bank, from making $3bn of unauthorised loan commitments to Baghdad between 1988 and 1989 even though some of the loans financed militarily useful equipment for Iraq.

The US inaction occurred despite intelligence data about BNL that was in the possession of the CIA and other govern-

Continued on Page 26
Missile proliferation, Page 19

Hardline leaders must go, say 250,000 Czech demonstrators

By Leslie Colitt in Prague

MORE than 250,000 cheering and jeering Czechoslovaks took to the streets of Prague last night demanding free elections and the resignation of the hardline Communist leadership in the most powerful display of opposition for two decades.

The vast crowd on Wenceslas Square, staging the fourth rally in as many days, chanted "Enough, enough" and had a simple, uncompromising demand for Mr Milos Jakes, the Communist Party chief and his Politburo: "Milos, it's over."

With the police remaining well in the background, the demonstration passed off peacefully and the crowd resolved to continue protesting in Wenceslas Square today. Sit-ins were in progress yesterday at Prague's Charles University where the wave of demonstrations began last Friday, and at many other colleges and schools.

Last night's marchers roared their approval of student calls for a general strike to begin in a week's time if there were no concessions. Miners in Czechoslovakia's northern Bohemia region were already reported to have gone on strike.

Earlier police brutality, which reached a height during the initial demonstration on Friday night, coupled with news of reforms in other hardline Communist states, seemed to have reawakened long dormant rage among the citizens of the Czech capital.

There were moving scenes at the statue to Saint Wenceslas, the country's patron saint, where in August 1968 students stood watch after the Soviet-led onslaught. Flowers were heaped at the base of the statue and hundreds of candles lit around it.

Czechoslovak flags were held high and the Czech national anthem was sung repeatedly. It was as if 21 years of repression, and the passivity this had induced, had suddenly been erased. Few who witnessed this enormous demonstration doubted that the days of the present leadership were numbered.

Prague's hardline rulers have been isolated by the fall in the last month of Mr Erich Honecker of East Germany and Mr Todor Zhivkov of Bulgaria, although President Nicolae Ceausescu of Romania made clear yesterday, at the start of a party congress, that he remained opposed to reform.

Mr Jakes was a prime target of yesterday's protests as a key figure in the restoration of hardline rule after the quashing in 1968 of Mr Alexander Dubcek's "socialism with a human face." The marchers chanted: "You were elected by tanks"

Members of the Czechoslovak opposition said it would be difficult for the Communists to produce any reformers acceptable to the population. The current leaders of the ruling party were either discredited hardline ideologists, or unpopular technocrats.

Mr Ladislav Adamec, the Prime Minister, is reputed to be more reform-minded than anyone else in the Politburo but until now has not publically expressed his known rivalry to Mr Jakes.

Mr Vaclav Havel, a spokesman of the Charter 77 human rights group and a founder at the weekend of the new Civic Forum movement, said a struggle was underway in the leadership.

E German leaders opt for simple life, Page 2

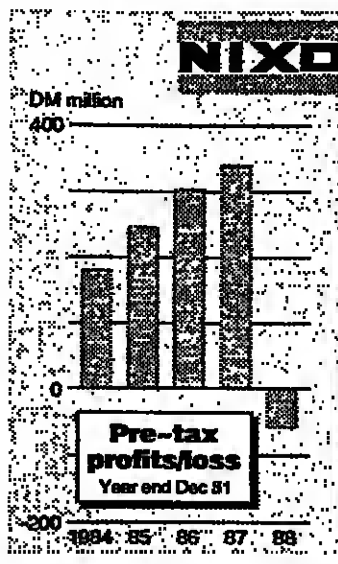
US AND UK PROTEST OVER POLICE ATTACKS

The US and Britain yesterday protested to the Czech Government over the violence used by police against demonstrators in Prague at the weekend.

The State Department said in Washington that the US Embassy in Prague protested over the "senseless violence" and that the authorities' opposition to reform was destabilising the country. In London, the Foreign Office summoned the Czech Ambassador to condemn "the disgraceful and gratuitous" use of violence.

It also said that British journalists had been "severely beaten." Reports from Prague said that one journalist had been held by two policemen and struck by a third.

The US said that, by attacking demonstrators, the Czech authorities "further damaged their credibility at home and abroad."




Klaus Luft

Nixdorf chief quits in wake of losses

By Andrew Fisher in Frankfurt

MR KLAUS LUFT resigned yesterday as chief executive of Nixdorf, the West German computer concern. His surprise action followed news earlier this month of continuing heavy losses at the company amid tough competition in world electronics markets.

No reason was given for the sudden resignation of Mr Luft, 48, a marketing specialist who had been with Nixdorf for 22 years. He tendered his resignation to the supervisory board before it met yesterday afternoon. Mr Luft had taken over as chief executive on the death of Mr Heinz Nixdorf, the founder of the company, when he died of a heart attack in 1986 at the age of 60.

Despite the mounting losses at Nixdorf in recent years, Mr Luft had maintained a confidently ebullient front, pursuing restructuring plans and agreeing technology links with specialised US computer concerns.

The company said last night that the restructuring would continue, with the basic direction of the company unchanged. Partnerships with other companies would continue to be sought, but no talks were being held which could lead to a takeover.

Neither Mr Luft nor Mr Horst Nasko, 56, the director responsible for telecommunications who takes over as top executive, was available for comment. Mr Nasko becomes board spokesman rather than chief executive, although the company said this did not mean that his tenure would be temporary.

Nixdorf, based in the small northern town of Paderborn, was one of West Germany's post-war corporate stars up to last year. However it has suffered from reliance on its own proprietary products as the industry favoured solutions based on integrating equip-

Continued on Page 26
Stock markets, Page 51

Krenz holds out prospect of free elections

By David Marsh in East Berlin

EAST GERMANY'S Communist leadership last night declared it was ready to hold free elections, but said they would not take place until between late 1990 and early 1991.

The message was conveyed by Mr Egon Krenz, party leader, to a senior West German official preparing for the visit next month of Chancellor Helmut Kohl.

The timetable, conveyed to Mr Rudolf Seiters, the West German Chancellery Minister who held talks with Mr Krenz, is likely to disappoint pro-reform demonstrators who flooded again last night on to the streets of Leipzig urging democratic renewal.

Some 100,000 people took part in the demonstration - the ninth consecutive Monday of street protests in Leipzig - with an unusually large number of banners calling for reunification of the German states.

Mr Seiters, who also met Mr Hans Modrow, the new East German Prime Minister, repeated that Bonn would be ready to grant "a new dimension of economic help" only if East Berlin decided thoroughgoing political and economic reforms.

Mr Seiters said last night that this included not only a commitment to pluralism and genuine elections but also the introduction of market-orientated economic reforms.

"The more market, the more the chance of success," he said.

Mr Seiters gave a cautiously optimistic view of the East Berlin leadership's readiness

Continued on Page 26

Sterling and equities fall amid concern over British economy

By Simon Holberton, Economics Staff

THE POUND and UK equity prices fell sharply yesterday amid concern over Thursday's trade figures for October and the outlook for the British economy and interest rates.

The nervousness in UK financial markets coincided with the publication of Bank of England money supply figures for October. These showed a smaller-than-expected rise in bank and building society lending but also showed M0, the Treasury's targeted monetary variable, was still growing faster than desired.

Sterling fell 2¾ pfennigs to DM2.8625 – its lowest level since March 1987 – and 1 cent to $1.5590 in what was described as fairly heavy selling of the pound. On the Bank's trade-weighted index, measuring the pound's value against a basket of currencies, the pound closed 0.6 lower at 87.5.

Analysts said the currency's weakness reflected concern about Thursday's trade figures and rumours that Mrs Margaret Thatcher, the British Prime Minister, might be challenged for the leadership of the Conservative Party. They also noted that both the West German currency and the dollar were strong while other currencies were suffering.

Yesterday the Bank intervened to support the pound, selling dollars and European currency units, but also to aid the yen, selling dollars for yen on behalf of the Bank of Japan.

In London share prices were marked sharply lower amid fears of recession and its effect on company profits. Analysts said equities were driven lower because of activity in the stock index futures market. The FT-SE 100-Share Index closed 38.2 lower at 2,183.1.

Mr Richard Jeffrey, economist at Hoare Govett, said equity prices would improve only when the market was sure the next move in interest rates was downwards.

"A lot of the economics data over the past week, especially on earnings and inflation, suggest otherwise," he said.

In its money supply notice the Bank said that M0, which measures mostly notes and coin in circulation, grew by a seasonally adjusted 0.8 per cent in October. M0 was 5.2 per cent higher in October than a year ago – still outside the Treasury's 1 to 5 per cent growth target set in March.

Provisional banking figures for the first three weeks of November suggest that M0 is continuing to grow at around the October rate. Many economists in the City doubt that M0 will return to its target range by the end of the financial year.

The figures also showed that banks and building societies lent £5bn last month, which compares with a £10.3bn rise in lending in September. Officials said the monthly figures were erratic. Figures for the London and Scottish clearing banks showed a £500m fall in their lending last month.

Thatcher puts premium on pound, Page 12

CONTENTS

Indonesian sell-off plans go to heart of its politics

Mr Johannes Sumarlin, Finance Minister (left), has fired the first shots in what could be a long battle to reshape the country's state enterprises. Page 5

Dutch back Mitterrand's plan to accelerate Emu

By Laura Raun in The Hague

PRESIDENT François Mitterrand of France yesterday won a conditional promise of Dutch support for a hid to speed up the process of European economic and mooetary unioo (Emu).

Mr Ruud Luhbers, the Dutch Prime Minister, said that, on two conditions, the Netherlands would support France's efforts to set a date for a special European Community Conference to forge a new Emn treaty.

The first was adherence to the timetable envisaged by the Delors Plan, under which the first of the three "phases" in monetary integration is to be ushered in by the lifting of French and Italian restrictions on capital movement in July 1990.

The second condition was a "clear, firm" agenda for the proposed inter-governmental conference.

The French president repeated yesterday that he hopes to convene such a conference before the end of next year – a move that Britain opposes, although it cannot prevent the meeting taking place.

Mr Mitterrand wants EC agreement on a date before the end of France's presidency of the Twelve at the end of the year. To round up support for his position at next month's EC summit in Strasbourg, Mr Mitterrand is visiting all other 11 EC members. Countrles such as the Netherlands and West Germany have given conflicting signals abont their positions.

Mr Luhhers yesterday hid his reported disdain for Mr Mitterrand's "gastronomic summit" last Saturday night in Paris, the Dutch prime minister, now in his third term and a veteran EC leader, is said to have grumhled that the working dinner was an "ego trip" wasting a Saturday night with husiness that could have just as well been done in the normal EC political co-operation process.

Mr Lnhbers has however refused to throw his unequivocal backing behind Mr Mitterrand's proposal for an EC bank to finance economic recovery in eastern Europe.

Mr Lubbers, who has been Mrs Thatcher's closest European ally, said he hoped he wonld not have to play a mediating role between the British prime minister and the French president at the Strasbourg summit on December 8 and 9.

Sweden urged to join EC

By Robert Taylor in Stockholm

SWEDEN'S main employer organisations, SAF and the Federation of Swedish Industries, have decided to press for eventual Swedish membership of the European Community.

Reflecting the deepeuing anxiety among Swedish employers at the alleged slow response of the Swedish government to the rapidity of events in continental Europe, they believe the present discussions going on between the EC and the European Free Trade Association on a new economic relationship can only he the first step in what they hope will finally turn out to be full EC membership for Sweden and the other Nordic states.

Yesterday, the EC commission's vice president, Mr Henning Christopherson, on a visit to Sweden to establish a permanent EC embassy in the country, said that any country in either west or east Europe could seek membership of the EC as long as it was democratic and accepted the full responsibilities of membership.

Sweden's finance minister, Mr Kjell-Olof Feldt, denied a report published at the weekend in the local business magazine Dagens Industri that the countries of the European Free Trade Association were discussing whether to join the EC's mooetary system. However, it is believed that Norway is particularly keen on looking at the possibilities of such a step and the change of government last month in Oslo has made no difference to the Norwegian interest in the idea.

The governor of the Swedish Central Bank, Mr Bengt Dennis, said recently that Sweden's adjustment to the EMS could have a positive effect on giving a higher priority to reducing the country's high level of inflation.

The hipartisan attitude towards the EC established two years ago in Swedish politics appears to be eroding rapidly. The Moderate Party leader, Mr Carl Bildt, has already called for Swedish membership of the EC and a re-examination of the meaning of the country's neutrality.

Now there are clear signs of a widening interest in such a suggestion. Only last week the leader of the country's Liberal Party, Mr Bengt Westerberg, said that Sweden in the 1990s ought to become a full EC member for political as well as economic reasons.

He argued that Sweden should not stand aside from the momentous changes in Europe but must make sure that it can exercise a direct influence over EC decisions. In his view, what is happening in eastern Europe, and the lowering of tension between the Soviet Union and the US, ought to lead to a reappraisal of Swedish neutrality.

Until now Sweden's neutrality in defence and foreign policy has heen regarded – at least by the ruling Social Democrats – as an obstacle to the country's joining the EC.

Supreme Soviet looks both ways on autonomy

By John Parker in Moscow

THE Supreme Soviet yesterday rejected as insufficiently radical a government bill to give republics more control over their economies. It then agreed to another proposal to increase the central government's control over scarce goods and ban price rises for them.

These apparently contradictory decisions underline the current confusion in policy-making over how to handle the dual problems of impending economic crisis and resurgent nationalism. Both proposals to the country's parliament came from Dr Leonid Abalkin, the deputy prime minister in charge of economic reform.

Arguing that temporary reinstatement of what he called "non-economic measures" was necessary to deal with chronic shortages, he said he would impose a rigid state order for basic necessities next year.

The production of certain goods such as fish and some electrical appliances will be tightly regulated by the central government; the state will buy most of the output at fixed prices and will limit the amount exported in nrder to increase supplies in the shops.

This reintroduction of quotas and price controls contrasts sharply with Mr Ahalkin'a own long-term programme of economic liberalisation presented last week.

He justifed the new controls on the grounds that in the past year enterprises had sharply redneed sales of basic necessities to the state or had used new foreign-trading powers to increase exports. Both, he said, had made shortages worse.

At ths same time, the deputies turned down a bill to increase republican economic independence because they said it did not do enough to loosen Moscow's control. Led by deputies from the Baltic republics, they voted by 211 votes to 149 to send the bill back to committee stage for a new bill to be presented in the spring of 1990.

In the past few days there has been another upsurge of republican nationalism. In Georgia on Sunday, the local parliament added a new clause to its constitution proclaiming that "the right to secede from the Soviet Union is both holy and inviolable".

The day before, in Riga, the capital of Latvia, a crowd of between 200,000 and 300,000 gathered for the first time to celebrate the anniversary of the founding of Latvia's brief independence.

Only in the south-western republic of Moldavia do tensions appear to be receding. Some 2,000 interior ministry troops left the capital, Kishinyev, after talks between the new republican Communist Party chief, Mr Pyotr Luchinsky, and the Popular Front, the nationalist organisation which secured a change in local leadership last week.

Call for W German wage moderation

By Andrew Fisher in Frankfurt

THE West German government's council of economic experts yesterday called for moderation by employers and trade unions in next year's wage talks to prevent inflation from getting out of hand.

It also said the thrust of economic growth should shift from exports to internal demand so that the high trade and current account surpluses could be brought down. For years, West Germany had produced more than it consumed or invested.

Predicting economic growth of around 4 per cent this year and 3 per cent in 1990, the same as most other economists, the council (dubbed "the five wise men") said inflation would stay at 3 per cent or so this and next year.

But price stability was endangered, they said in their report, presented in Bonn. If the rate of price increase accelerated as a result of the continued strong pace of economic activity, economic growth would show a marked slowdown from 1991.

Thus it said that wage negotiators should show "level-headedness and perceptiveness." They should reach agreements lasting for several years based on the level of advances in production and inflation of under 3 per cent.

The Bundesbank, the central bank, and the financial policy-makers in Bonn should also move more strongly in the direction of price stability.

The council said that although the rate of unemployment would drop to an average of 8 per cent this year from 8.9 per cent in 1988, the actual number of jobless would not fall much below the 2m level in the coming year because of the high number of immigrants coming from East Germany and from the rest of eastern Europe.

It expressed concern over unit wage costs, which it expects to rise by 3 per cent in 1990 after only 1 per cent this year. But companies would still take on more people to cope with rising business. Higher incomes and next year's tax cuts would combine to add DM100bn (£35bn) to the funds of private households, a rise of at least 4 per cent in real terms.

The council expects industrial investment to keep advancing next year, as companies' capacity limits came under increasing strain as a result of the heavy order inflow, especially from abroad. Exports would rise by a further 6 per cent in 1990, with the foreign trade surplus reaching a new record of DM160bn.

East Germany's leaders opt for the simple life

By David Goodhart, David Marsh and Leslie Colitt in Berlin

EAST Germany's leaders say they are vacating their luxury quarters outside Berlin for simpler dwellings in the capital, in a graphic symbol of the new pressures they face.

Mr Egon Krenz, the new Socialist Unity (Communist) Party chief, appeared on television on Sunday night in his new, modest, two-storey house in the suburb of Pankow.

In a clear effort to defuse resentment, Mr Krenz said he felt like "a Berliner" and stressed his commitment to a more ordinary lifestyle.

Mr Krenz, who is under mounting grassroots pressure from within the SED and may be toppled at the party's special Congress in mid-December, admitted that the SED had made errors in maintaining "the Stalinist administrative system."

His defensiveness is one sign of the shock waves rippling through the Communist Party after the tide of street protests and daily revelations over the parlous state of the East German economy.

Officials close to Mr Hans Modrow, the new reformist Prime Minister, say the new cabinet "needs time" to take difficult economic decisions ahead of free elections likely next year. According to one well-informed estimate, the SED would be likely to gain no more than 30 per cent of the vote.

The new cabinet will meet on Thursday to discuss possible new emergency measures to protect the East German mark against persistent heavy selling from travellers dumping the currency in West Germany. There is however little chance of any immediate economic turnround. East Berlin monetary officials call the foreign reserve position "constrained" and say it would take 10 to 15 years to achieve convertibility.

East Germans rushed to buy durable consumer goods yesterday, amid fears that their currency would soon be worthless. Department stores in East Berlin and other cities were unable to keep up with the soaring purchases of colour television sets, refrigerators and furniture.

"The government said bank withdrawals are normal but I have seen otherwise," one East Berliner said. He noted that the two main department stores were packed with buyers of appliances who were paying cash. Mr Dieter Hiss, president of the State Bank of West Berlin, yesterday spoke out against the West German politicians and East German economists who insist that currency reform is a precondition of economic reform in East Germany.

However, he said he did support attempts hy the authorities in the German Democratic Republic to put a brake on the outflow of GDR marks.

He said that false parallels were being drawn with 1948 (the year of the West German currency reform) and that the easiest way to support the GDR mark was to increase economic activity and, if necessary, raise interest rates.

He admitted there was an inflationary danger in releasing the possibly enormous "monetary overhang" in the GDR caused by unused savings.

Also, despite the ban on exporting or importing the GDR marks, this money could seep out of the country in search of D-marks and thus place enormous potential purchasing power in the hands of non-East German citizens – opening the way to the feared "buy-up" of East Germany.

Mr Hiss said talk of a currency reform was exacerbating the outflow and unnecessarily weakening the GDR mark exchange rate, as East Germans feared seeing their savings wiped out and potential buyers of the GDR mark were deterred.

COMMISSION ANNOUNCES ACTION PROGRAMME

Brussels acts on Social Charter

By Lucy Kellaway in Brussels

A FAR-reaching programme of legislation on workers' participation, maximum working hours and health and social security issues was yesterday announced by the European Commission, as part of its plans for putting the Social Charter into practice.

The so called "action programme" will cover 47 different measures which will be put to member states for approval over the next two years.

Policy on such sensitive issues as minimum wages, the right to join a trade union and collective bargaining will be left up to member states, covered only by non-binding Commission recommendations.

While this will come as a relief to the British government, it will not soften the UK's resistance to the Social Charter itself, which 11 of the 12 member states are likely to sign in December in Strasbourg.

The Commission's plans were disclosed only in vaguest outline, but seem to fall short of West German demands for strict legal minimums on worker standards.

However, they met a hostile reaction from Britain, which argued that all such legislation would reduce job flexibility, increase unemployment, add to costs and reduce EC competitiveness.

Ms Vasso Papandreou, Commissioner for Social Affairs, said EC legislation would cover working hours, health and safety at work, conditions for pregnant women, mass lay-offs, worker participation, and worker share ownership. Directives would also be issued on equality of men and women, on handicapped workers and on the right to training.

However, she declined to say what the legal backing of the measures would be as this would depend on their content. The Commission will be anxious to avoid wherever possible unanimous voting, as Britain would be likely to veto almost any measure covering the freedom of the labour market.

It might also block others such as those covering handicapped workers on the grounds that such things are better settled by member states.

The Commission said legislation was needed on working hours, night work, overtime and holidays to ensure that the well-being of workers was not threatened. By linking the issue to health questions, it may be able to force legislation through on a majority vote.

Planned legislation on worker participation would supplement the existing proposals contained in an unpopular European company statute. It would probably apply to companies with interests spread in more than one EC country.

The action plan also includes a directive to cover cross-border sub-contractors working on public contracts – a clause that was originally included in the Social Charter itself, but taken out at the last moment.

The proposals will be presented in outline to the European Parliament tomorrow. They will not be voted on by governments in December, but the announcement of the action programme will squash members states' complaint that in signing the Social Charter, they are signing a blank cheque, Ms Papandreou said.

In an unusual display of its powers, the Commission has instructed members states to take decisions on all of the areas within 18 months, or at worst, two years.

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EUROPEAN NEWS

Warsaw warned on future of Lenin shipyard

By Chris Bobinski in Warsaw

BINDING agreements on the future of the Lenin shipyard in Gdansk will have to be signed by the end of next March if the yard is to survive, Mr Czeslaw Tolwinski, its chief executive, told a Polish parliamentary committee at the weekend.

The yard is one of five still in operation in Poland and Mr Lech Walesa, the Solidarity leader who led a legendary strike there in 1980, has been heading a rescue effort after the previous Communist government decided to close it a year ago.

In the summer Mr Walesa enlisted the help of Ms Barbara Piasecka Johnson, a US millionaire of Polish origin who has signed a letter of intent to set up a joint venture with the yard, but the agreement is now experiencing delays. Mr Tolwinski said progress in talks with Ms Johnson, who wants a 55 per cent share in the mooted joint venture, was "minimal" and thet the date of any signing was "distant".

The West German Bremer Vulkan yard, which will be building part of a container ship order for the Soviet Union worth DM1.4bn (£484m) and is hoping for further orders, has also expressed an interest in a possible joint venture with the yard.

The Gdansk yard has traditionally built ships for the Soviet Union but it has been a year since Poland signed any new shipping contracts with Soviet shipping companies.

This is because the Poles say that rouble payments are unacceptable, but any resolution of the problem awaits government-level negotiations on the method by which trade is to be financed in future.

Also, the Lenin yard is formally under liquidation, and while it is finishing old contracts it is not empowered to sign any new ones.

Men in the hull-making department will have to be laid off in February unless the situation changes. Already some 3,500 of the workforce have left the yard since the closure was announced, and the number of employees is down to around 7,500, compared to 17,000 at the yard's peak in the late 1970s.

The delay in establishing a company with Ms Johnson, who Solidarity says originally offered $100m as an investment in the venture, has placed a question mark over a recent contract with PZM, a Polish shipping line, to build two 25,000-dwt container vessels on K-2, a sector of the yard.

K-2 has the capacity to build six to eight ships a year and has been leased to Durainsul, a small British-owned company active in the yard since 1982, at a price of $4.5m a year.

The completion dates for the two vessels are the first and second quarters of 1992, and Durainsul, which is now hesitating about whether to go ahead, needs the rest of the yard operational if the ships are to be built.

First private Greek TV channel on air

By Kerin Hope in Athens

GREECE's first private television channel, a joint venture launched by five leading Athens newspaper publishers, went on the air yesterday, ending 20 years of strict state control of the electronic media.

The station, Mega Channel, has a three-month experimental licence under a media law passed in September. It should be extended to seven years when the controlling authority for private broadcasting, the National Radio and Television Council, comes into existence later this month.

Mega Channel, which broadcasts on three frequencies in the greater Athens area, can reach about 40 per cent of Greek homes. But in addition to the two state-controlled channels, it will be competing with a dozen foreign satellite channels and three other local stations, which are now running test programmes.

The three left-wing and two conservative publishers, normally fierce competitors in the newspaper market, set aside their rivalries to share the high cost of getting started in private television. Each owns a 20 per cent stake in Mega Channel, which has cost about 10bn drachmas (£38m) to set up.

The pnblisher of the left-wing daily Ethnos, Mr George Bobolas, is taking the main executive role, while Mr Vardis Vardinoyiannis, whose family owns the conservativa daily Messimvrini and also has shipping and oil refining interests, is thought to have most financial clout.

In a country where until very recently, television news broadcasts were heavily influenced by the Information Ministry, Mega Channel's news programmes aim to attract high ratings. "We want lively reporting and lots of current affairs," says the general manager, Mr Nikos Skoulas, a former tourism minister, citing high standards of news coverage set by Greece's private radio stations, which were licensed two years ago.

Other programming relies heavily on imported American crime series and soap operas, but of more receot vintage than those shown on the state-run channels, along with quiz games and films. "We must have broad appeal since our income will coma only from advertising," Mr Skoulas says, adding that he has no idea how long it will take for Mega Channel to break even.

Television last year accounted for 46 per cent of total media advertising revenue in Greece of 39.3bn drachmas. TV revenues are expected to reach 48bn drachmas this year.

Mega Channel's main competitor is likely to be Antenna TV, due to start regular broadcasting next month, in which the American media baron, Mr Rupert Murdoch, is a shareholder, together with West Germany's Dr Leo Kirch, who owns Taurus Films and a stake in the Sat-1 television channel.

The main Greek interest is held by Mr Minos Kyriakou, a ship-owner and the backer of Antenna Radio, the most successful of Athens's 20-odd private radio stations.

Setting up the channel has so far cost 15bn drachmas. "Wa're confident there's room for at least two private television channels in Athens," says Mr Spilios Haramis, Antenna TV's deputy director general.

Ceausescu keeps hard line against reform

ROMANIAN President Nicolae Ceausescu maintained his firm stance against reform at the opening of a Communist Party congress yesterday, ignoring calls for change from the Soviet Union and Hungary, Reuter reports from Bucharest.

Mr Ceausescu, 71, indicated that he and his party would not bow to pressure for the kind of Soviet-style reforms now under way in Hungary, Poland, East Germany and Bulgaria.

"The party cannot give up its revolutionary responsibility, it cannot surrender its historical mission to another political force," he told the congress in a five-hour speech.

Mr Ceausescu's address, which was met with cheers from the 3,300 delegates at the five-day congress, ignored a message from two of Romania's Warsaw Pact allies urging Bucharest to take into account the changes which have been sweeping other East bloc countries.

The Soviet Communist Party sent a pre-congress message to Romania pointing out the value of comparative views in discovering "the humanitarian potential of socialism".

On Sunday Hungary's ruling Socialist Party went further and appealed to Romania to allow greater democracy and to respect the rights of its minorities.

Instead, the unyielding Mr Ceausescu announced plans to increase Romania's military strength.

"Starting from the demands of defending the integrity and independence of Romania, our party and our socialist state will keep giving full heed to the continuous strengthening of the country's defence capacity," the Romanian leader said.

But Mr Ceausescu, who has ruled Romania with an iron grip for 24 years, is becoming increasingly isolated in the East bloc.

Two of his staunchest anti-reform allies – East Germany's Erich Honecker and Bulgaria's Todor Zhivkov – were forced to step aside recently to make way for more reform-minded leaders.

The country's physical isolation also increased ahead of the congress. Romania sealed its border with Hungary last Friday as part of extreme security measures which have barred everyone except Romanian nationals, diplomats and accredited journalists from the country.

The US general who believes his mission continues

Change in Eastern Europe is not seen as cause for a change of military strategy, writes Haig Simonian

FOR Lieutenant-General George A Joulwan, who in August took command of Vth Corps, the oldest active US Army corps in Europe, little has changed despite the momentous events in the German Democratic Republic.

The General, who commands the 62,000 fighting men defending West German's crucial central flank, remains firmly opposed to suggestions that the US military presence in Europe is becoming increasingly redundant. "Now is not the time to change the Nato (North Atlantic Treaty Organisation) structure," he says.

Sitting in his palatial office in the building which once housed IG Farben, Germany's inter-war chemicals cartel, the general, speaking before the recent talk in Washington of deep reductions in spending and manpower, remains unflinchingly committed to the strategy which brought him and his troops to Germany.

The drama now unfolding in the East is "very positive for peace and freedom," he said. "Your heart has to go out to these people who are leaving everything behind to live in an atmosphere of freedom."

But the general betrays no outward trace of doubt about the continuing value of his mission, despite the recent developments in Eastern Europe. A Vietnam War veteran who served his first tour of duty in Germany in 1962, Geo Joulwan is convinced about the central role of the men he commands in contributing to the changes which have taken place in the East bloc.

"For someone coming back and forth for over 30 years, there is no doubt that all this has happened because of the solidarity of Nato and the US commitment to the Alliance", he says with utter conviction.

The sacrifice made by the US over the decades, both in terms of money and emotion, is a constant theme. "Americans over decades have been prepared to move 5,000-6,000 miles away from their families and loved ones to help keep the peace. And the American people have paid heavily in terms of their Treasury to put these men in Europe."

He draws attention to the potential risks behind what is currently taking place in Eastern Europe. "There will be a period of great uncertainty and instability, which also gives me great cause for concern," he says. "You never know what the reaction is going to be on the other side. We've already seen that in the 1950s and 1960s."

But General Joulwan is willing to accept that the well-worn Western concept of

General Joulwan: 'Your heart goes out to these people'

"peace through strength" might have to be revised if the pace of change in the East continues.

"I don't think the US soldier is mesmerised by what Gorbachev is saying," he says. "Wa're still trying to sort out their intentions. But we still see great military capabilities on their side. So our focus to our soldiers has to be to let the politicians and diplomats decide. When they've signed or negotiated a settlement, then there could be some phase of change."

In the meantime, the military will continne to concentrete on the Warwaw Pact's offensive strength. "Wa see the forces on the other side modernising and training very hard," he says.

Reports in the media of poor discipline among the Warsaw Pact forces is misplaced, Gen Joulwan thinks. "Wa have a pretty good idea of the quality of soldiers, of equipment and of training, so its not just speculation."

Gen Joulwan, having attended Soviet exercises in the GDR in May, says: "I was impressed by the quality of equipment, the capabilities and the dedication of the officers and soldiers," he says.

But the general accepts that changes in Eastern Europe are already having repercussions in terms of popular attitudes to the US military presence in Germany, especially among the young. A mixture of growing anti-Americanism, notably in the big cities, where matters are made worse by housing shortages, and irritation with aircraft noise and flying accidents in rural areas, has certainly soured the atmosphere.

"Sure, sure," he says. "You can expect to get more criticism from young people who were born sometime after the war." Meanwhile, "we've put a great deal of effort into relations with the local population, and I think it's better than at any time in the past," he says.

"We've got to train smart, manoeuvre smart and fly smart." And action is also needed outsida the combat zone. Some $60m is being spent in Vth Corps alone in a five-year project to convert coal-fired power plants to include district heating schemes.

Soch things help, but they will fail to shrink popular German concern about problems with drugs, rape or Aids among the GIs, let alone the stories of drunkeness, wife-beating or lesser marital problems which often fail to get outside the compound.

Gen Joulwan admits to the difficulties, although conceotrating on drunken GIs out on the town in Frankfurt on a Saturday night is only giving part of the picture, he insists.

Better education standards and fewer single men has led to an improvement in the image and deportment of the army in Germany in receot years, he thinks. "No less than 93 per cent of the men are now high school graduates," he notes. "And 52-53 per cent of those serving in Vth Corps are married now, compared with 20-30 per cent not so long ago. Part of the strength of our forward deployment force is the family.

"You shouldnt underestimate the depth of feeling" between Germans and Americans, he says. "I still maintain contact with the landlord I had in Schweinfurt back in 1962. This aspect of German-American relations doesn't get much attention."

For relations with the civilian population are one of Nato's biggest streogths, argues the general.

"There's no mingliog between the East German military and the East German people. And even less between the Russians stationed in East Germany and the East Germans themselves. Sometimes we overlook things like this."

Guerrillas in Cambodia launch heavy offensive

By Robin Pauley, Asia Editor

A HEAVY battle is under way in north-western Cambodia with guerrillas trying to wrest control of the main road and rail links to Thailand. They are also trying to consolidate recent gains in villages in the area, before attempting towns in what could be a test of their ability to take the country.

About 5,000 Cambodian guerrillas erc reported to have launched the attacks and indications are that positions on Route 5 and the railway, controlled by the government forces supporting the Hun Sen regime in Pnom Penh, have fallen to the resistance.

The guerrillas' main objectives appeared to be the town of Svay Chek and government-held positions around the village of Nimit. The border town of Poipet, just across from Aranyaprathet, and the town of Sisophon, both on the main Thai-Cambodia road and rail link, were also under heavy attack.

The guerrillas failed to take Svay Chek during their biggest offensive in 11 years beginning in late September. They did, however, seize the towns of Banteay Chamar, Thmar Puok and Kandoul as well as numerous villages and other military positions.

"If they can't take these positions now, then their ability to take more areas like Sisophon will be seriously in question," one Thai officer said. "What happens in the near future depends on what happens today," a guerrilla officer was reported as saying.

The attacks were apparently led by the Khmer People's National Liberation Front, one of the three guerrilla groups in the resistance coalition. However, the KPNLF is not a very effective fighting force and as the stronger Khmer Rouge guerrillas are also active in the north west of the country there is some doubt as to which group is actually planning and leading the attacks.

At a KPNLF base at Boueng Traknan, ahont 3km inside Cambodia, guerrillas showed off large quantities of captured weapons, including fonr 122mm artillery pieces, mortars, and heavy machine guns. Green Soviet-built trucks captured from government forces were seen carrying weapons to forward guerrilla positions at Svay Chek about 20km to the south-east.

Village blames Gandhi for sleepless nights

K.K. Sharma reports on why one small corner of Haryana will be voting for change

IN INDIA, unlike most countries in the Third World, villagers are regularly offered the opportunity to throw out their government. The country's villagers were largely responsible for defeating Mrs Indira Gandhi in 1977 and bringing her back in 1980.

After hesitating for four weeks, the village of Doula, in Haryana state, has finally decided to break with its past tradition of voting for the ruling Congress party.

This is the story of how it made up its mind to vote tomorrow for Mr V.P. Singh's opposition Janata Dal.

Doula is a typical north Indian village made up of an untidy cluster of mud huts and some brick houses. Inhabited mostly by Thakurs, e sub-caste of the warrior Rajputs, and some Harijans (untouchables), Doula's villagers are land-owning or landless farmers who are guided in taking most of their important decisions by their *panchayat* (village council of elders).

Doula's farmers have been spending sleepless nights all of this month and angrily blame *shashan* (authority) for turning them into nocturnal beings.

Authority to them is a diffused entity, but somehow the focus of their wrath is the central Government formed by the Congress – and this will cost the ruling party the village's votes. The reason for being up most of the night is that Doula village gets no electricity during the day. Since this is the season for sowing the crucial *rabi* (winter) wheat crop and fields need watering before this can be done, the farmers can operate their wells only when power supplies come erratically during the night.

They have been heatedly discussing the diabolical functioning of *shashan* across the bare fields while watering them by moonlight.

Inevitably, talk has turned to the ways of slippery politicians and their false assurances (electricity in the daytime has been promised by all candidates in every election). The farmers blame the central Government for their misfortunes and not the state government run by Mr Devi Lal, Haryana's Chief Minister, and now a powerful leader of Janata Dal, even though electricity supply is the responsibility of the state government.

But, as Mr Lakhpat Singh *sarpanch* (village headman) of Doula, says ambiguously: "When national elections are being held, we must think in national terms."

Doula's election debates in the last few weeks have been lively and the subject, confesses Mr Lakhpat Singh, has finally boiled down to their own material interests. At the moment, this has meant the erratic electricity supplies. It has also meant high sale prices of consumer goods like sugar and the low government procurement price of the farmers' own produce.

Conversation also turns to false promises by politicians of help in building a new girls' school, although they grudgingly concede that a *panchayat ghar* (village council house) has recently been built.

Discussion has often been acrimonious, particularly between the elderly people who have traditionally voted Congress and the younger generation who now wear trousers, instead of traditional homespun *dhotis*, and sport digital watches. For days, they have

Indian Elections

all watched caravans of jeeps come by, blaring political slogans through loudspeakers. Doula has been honoured by personal visits from Mr Rao Birendra Singh, a powerful local leader now standing for Janata Dal after resigning from the Congress, as well as Colonel Ram Singh, the Congress candidate.

Like many constituencies in north India, there is a straight one-to-one contest.

Mr Lakhpat Singh, village headman, therefore, has let word circulate that the elders will vote for the Janata Dal. The reason? "The time has come for a change," he says simply. "The Congress has been around too long and we should give the others e chance."

Mr Girendar Singh, a landlord who owns e newly-built 12-bedroom house built on the outskirts of the village, is not so circumspect. To him caste factors are all important: "We are mostly Thakurs in Doula and will vote for V.P. Singh because he is a Rajput." Many others nod their consent.

There is some overlapping of caste interests this time. Mr Devi Lal, the Chief Minister, is disliked in Doula because he, say all of Doula's elders emphatically, has unabashedly favoured his fellow Jats (a particular category of farmers) in Haryana. In Doula, there are no Jats and, complains Mr Lakhpat Singh bitterly, Thakurs and other castes have had to buy jobs for several thousand rupees while Jats have walked into posts they were not qualified for.

Doula does not want to vote for Mr Devi Lal, the Jat, but his Janata Dal will get their support, nevertheless, because of Mr V.P. Singh, the Rajput. One villager hopes that Mr V.P. Singh will eliminate corruption but others are sceptical.

Mr Lakhpat Sing says he can't speak for the Harijans in the village, who usually vote Congress, but is sure that 95 per cent of Doula's non-Harijans will follow his guidance.

"We have let them know what we have decided and we know how to get support," the headman says sternly, turning towards turbaned farmers sitting nearby in silence. They nod slowly in response.

HK giant plans to diversify abroad

By John Elliott in Hong Kong

HONG KONG'S biggest business empire, headed by Mr Li Ka-Shing's Cheung Kong company, intends to diversify its investments into south-east Asia, Canada and elsewhere during the next few years, while continuing to develop its core sector interests such as property, container ports and telecommunicetions in the British colony.

This is likely to increase the proportion of its assets outside Hong Kong from 10-15 per cent at present to at least 25-30 per cent. Mr Simon Murray, managing director of the main Hutchison Whampoa operating subsidiary, has said the split could even go so far as 50-50.

"Even before the June 4 events in China we felt we were too hig in Hong Kong." Mr Li, one of the colony's two or three richest tycoons, said at the weekend in e wide-ranging interview. "Our investments in Hong Kong will contimne but not the taking over of companies – the chances of thet are not high."

Mr Murray said that Hutchison would "stand behind" its core businesses. "But I do not think we will be getting into other businesses in Hong Kong."

Cheung Kong controls Cavendish International and Hongkong Electric as well as Hutchison Whampoa. The combined capitalisation totals some HK$72bn, which accounts for about 14 per cent of the local stock market. This means that Mr Li's movements are closely wetched and have a significant impact on the colony's fragile confidence.

The new strategy marks a significant shift of emphasis. Although Mr Li will not admit it openly, the diversification plans have been sharpened following June 4 because of the problems that Hong Kong faces in the run up to its return to Chinese sovereignty in 1997.

Operations in Hong Kong are being tightened up, and the group's corporate image is being reshaped to give it a broader emphasise for international investors who are worried about 1997.

Mr Li said that the 50-50 split in assets mooted by Mr Murray would not be easy to achieve because of the high yields still available in Hong Kong which would remain the group's "main money making place" for "at least for the coming five to ten years". Hong Kong still had "plenty of opportunities", plus the potential of a "country with 1bn population next door in China".

Mr Li also said he did not want to follow the lead of other companies which had switched their domicile overseas to havens such as Bermuda and the Cayman Islands in the run-up to 1997. "The directors and shareholders have raised this question. But I do not like to see these kinds of things happening and up to now I have said 'No'."

The group would definitely tender next year for the eighth terminal in Hong Kong's container port where it already controls three of seven existing terminals. But Mr Li hedged about whether he would invest in a new airport planned for the mid 1990s. It was only "possible" and would depend on the "conditions and the terms".

Eerlier this month Hutchison Whampoa sold two of its distribution companies to the Inchcape group. This was part of its gredual Hong Kong rationalisation, aimed at concentrating on its core sectors, which do not include distribution. Before June 4 it was negotiating to sell its 39 per cent stake in Hong Kong's Sheraton Hotel, hut the talks stopped because the offer price fell by at least 10 per cent.

Hutchison's local telecommunications amhitions suffered a setback when Mr Li decided after June 4 to pull out of a tender for the colony's cable television contract.

In Brief

Soviets in border attacks

Soldiers crossed into Afghanistan's north-western Faryab province and attacked guerrilla positions and villages near the border. Meanwhile Afghanistan's official Radio Kabul reported that government soldiers reopened the strategic Salang Highway, linking Kabul to the Soviet Union.

Three killed in quake

Three people were killed and five others injured when two powerful earthquakes struck the south-western Chinese province of Sichuan yesterday.

The official Xinhua News Agency said several houses were destroyed in the tremors in Jiangbei County near Chongqing (Chungking) in eastern Sichuan. The quakes measured 5.2 and 5.4 on the Richter scale.

S Korea auto sales up

South Korea's domestic auto sales jumped 47.4 per cent between January and October from the same period last year to 615,600 motor vehicles, the Korea Automobile Manufacturers Association reported yesterday.

Japanese aid to Poland

The Jepanese government has decided to provide about $180m in aid to Poland and Hungary, a Japanese newspaper said yesterday.

Jolt to Iran

A strong earthquake jolted Iran's south-eastern Kerman province early yesterday, killing at least three people and injuring 45, the Islamic Republic News Agency reported.

Strike at Red Cross

Work at the headquarters of the international Committee of the Red Cross in Geneva came to a halt yesterday when 600 staff staged a one-hour strike to protest at the kidnapping of two relief workers in Lebanon.

Compensation to Egypt

Iraq has agreed to pay Egypt $50m to compensate for drastic cuts in remittances by Egyptian workers hecause of e shortage of foreign currency, Arab diplomats said yesterday.

Peking reportedly plans Hong Kong clampdown

CHINA IS considering measures to restrict political activity in Hong Kong after it reverts to Chinese rule in 1997, according to media reports, AP reports from Hong Kong.

The reports quoted Li Hou, a top Chinese official involved in Hong Kong affairs, as saying China was considering prohibiting contacts with overseas political groups and limiting or banning foreign nationals from the territory's legislature.

Li, who spoke to reporters in the nearby Chinese city of Guangzhou, said the measures were being considered as part of Hong Kong's post-colonial constitution to prevent attempts to "internationalise" the territory politically.

However, he stressed that China welcomed international participation in the territory's economy.

The mini-constitution is supposed to guarantee China's promises that Hong Kong can maintain its capitalist system for at least 50 years after the change in sovereignty and enjoy a "high degree of autonomy".

But Peking recently attacked its critics in Hong Kong who have loudly condemned the brutal crackdown on dissent in China.

China was worried that Hong Kong could become "a base for subversive activities" against the Chinese central Government, Li was quoted as saying by the South China Morning Post.

Dissident Chinese in exile in the West, after escaping the June crackdown on street protesters, have received financial support from the Hong Kong Alliance in Support of the Patriotic Democratic Movement of China.

OVERSEAS NEWS

Israel forecasts sharp increase in budget deficit

By Hugh Carnegy in Jerusalem

THE ISRAELI Finance Ministry has more than doubled its estimate of the deficit on government domestic spending for this financial year. The ministry now expects the gap between revenues and expenditures to be Shl 4.1bn (£1.3bn) – or 5 per cent of GDP – instead of the Shl 1.7bn previously budgeted.

Seeking government approval for a Shl 4.3bn supplementary budget, the ministry said a shortfall in tax revenues of Shl 1.8bn caused by this year's economic slowdown was largely to blame. It said additional expenditures of Shl 600m were mainly to take account of inflation and not real increases in spending.

The figures illustrate the difficult balancing act the government is trying to perform. Demands for extra expenditure to stimulate growth and alleviate unemployment of around 9 per cent – considered very high in Israel – have to be set against the danger of stoking inflation which is due to top 20 per cent this year. The revised deficit assumes that a Shl 150m cut, shared across the ministries, will be implemented to offset extra outlays. But a number of ministries, including Mr Yitzhak Shamir's Prime Ministry, are resisting this.

There is also the problem of extra spending associated with absorbing an anticipated wave of immigration by Soviet Jews. Numbers of Soviet immigrants arriving have already jumped sharply this year to about 1,500 per month and the government is preparing for 100,000 over the next three years.

Despite these difficulties, both government and independent economists are predicting a distinct improvement in economic performance in 1990. After real GNP growth in 1989 of an expected 1 per cent, most forecasts now anticipate real growth next year of around 4 per cent. Domestic consumption is expected to pick up and exports to continue a surge begun this year which, combined with a decline in imports and improved tourism returns, should result in a current account surplus in 1989 of about $500m.

Inflation, fuelled this year by devaluations in the shekel totalling more than 17 per cent, is likely to fall. Professor Zvi Sussman of Tel Aviv's Israel International Institute, says there has been an encouraging slowdown in 1989 in wages and prices growth in the industrial and private services sectors. This now needs to be matched by the government sector and the housing market where increases have been much steeper.

With productivity and profitability improving, real interest rates down and the Government promoting infrastructure development, the sharp contraction in investment this year is expected to reverse. However, the political uncertainty associated with the divided Labour-Likud coalition and the continuing Palestinian uprising in the occupied territories – which is reckoned to have deterred investment – does not look like improving.

Overall, the rosier outlook now predicted for 1990 still has its darker shadow. In the short term, immigration is seen as a stimulant to growth, but problems may well follow when the new arrivals feed through into the already oversupplied labour market.

There is also the distinct risk that a burst of growth next year could turn out to be inflationary if it is fuelled by too much government priming. Bank Hapoalim, the country's biggest bank, said recently the opportunity was there to get inflation below 10 per cent.

Israeli police said yesterday they wanted to bar 10,000 Gaza Strip Palestinians from Israel, nearly six times the present number, to combat a crime wave, Reuter reports from Jerusalem.

Police said the Palestinians involved were all known criminals. Israeli administrators in the Gaza Strip have yet to act on the recommendation. A list of banned Palestinians now has 1,760 names.

Indonesian sell-off plans go to heart of its politics

Privatisation threatens main lever of patronage underpinning the regime, writes John Murray Brown

THE FIRST shots have been fired in what promises to be an arduous battle to reshape Indonesia's state enterprises, the backbone of the economy since the takeover of Dutch businesses after independence in the 1940s.

What to the outsider looks like a Thatcherite exercise in economic rationalisation, cutting budget costs and spreading private ownership is, in the money politics of Indonesia, a vital struggle for control of the main lever of patronage underpinning President Suharto's New Order regime.

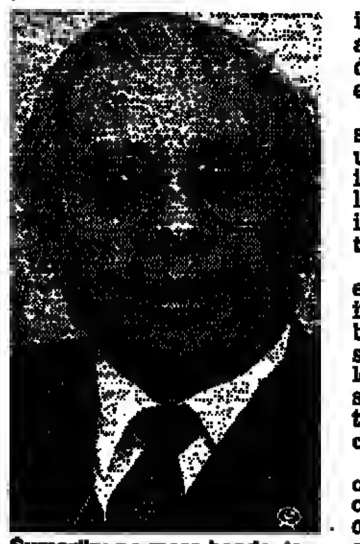
In June, Finance Minister Mr Johannes Sumarlin unveiled an action plan for the 215 state companies embracing possible privatisation, joint ventures with the private sector or liquidation. Ministers were told to report with their homework, Mr Sumarlin's word for what is essentially an ultimatum to the state sector to put its house in order.

This month he announced that 52 state enterprises would go to the market. Critics of the plan include intellectuals, Moslems, consumer groups, co-operatives, technical ministries and the military, all of whom argue the state is a necessary safeguard against the expansion of big business empires.

In Indonesia's political shorthand, big business is taken to mean the local Chinese who, though only 5 per cent of the population, are said to control 80 per cent of the economy, albeit in collaboration with powerful interests within the military and in circles close to President Suharto.

It is the Chinese who also seem to have a hold on the stock exchange which, for the reformers, is seen as the principal vehicle for divesting state assets and encouraging an Indonesian enterprise culture.

For the ministries involved the plan seems certain to highlight the pecking order of a state sector whose interests range from public utilities to state trading companies with assets running to $80bn and annual turnover estimated at us $20bn.


Sumarlin: no more handouts

The shake-up is part of a larger reform of the Indonesian economy in the wake of the fall in oil earnings. It is also an attempt by reformers to abandon the socialist dogma of an earlier era.

Where neighbouring Malaysia resorted to legislation under its New Economic Policy, Indonesia has traditionally looked to the state to promote indigenous non-Chinese capital.

For the military, public enterprises also provide an invaluable source of unofficial budget funds, as well as useful sinecures for retired officers loyal to the regime. The public sector also serves as a sponge to mop up labour at a time of chronic underemployment.

Ministers are now falling over themselves trying to stave off the threat of privatisation or, worse still, the liquidation of companies under their wing. Mr Ginandjar Kartasasmita, Minister of Mines and Energy, has questioned a programme, which he says could mean the carve-up not just of PLN, the state electricity utility and the state mining company PTBA, but also Pertamina, the Indonesian oil giant.

Dr Habibie, an influential force at the Ministry of Research and Technology, has created a quango of so-called strategic industries including the state steel works Karakatau, which many critics thought ripe for disposal.

It has even been suggested that as part of the restructuring, private companies should contribute a share of their profits to sustain the co-operatives.

The problems facing state enterprises reflect the general state of Indonesian business. Domestic demand is depressed, the quality of management poor, and the sector suffers horrendous overstaffing and plant overcapacity.

In addition, accounting practices are inadequate. Few Indonesian companies, public or private, issue even a rudimentary financial statement. State companies have little autonomy over investment and pricing decisions. Their boards are appointed every five years by a minister who might use the opportunity to distribute political favours.

Mr Sumarlin says any decision will be based on the profitability of an enterprise together with an assessment of its liquidity and solvency over the past three years. If a state company wanted to expand, he said, it would have to finance the expansion internally through retained profits or share offers on the Jakarta exchange. In short the state sector could no longer rely on treasury handouts.

The state trading company, Pantja Niaga, may be the first victim. Garuda, the national airline, is preparing for at least a partial public listing after divesting its loss-making domestic operations to Merpati, a wholly-owned subsidiary.

But the suspicion remains that only loss-making concerns will be dismantled. As it happens, according to the minister, a staggering third of all state enterprises make losses.

France sells jet engines to Israel

FRANCE, which froze arms sales to Israel in 1967, announced yesterday it was selling five jet engines for the latest Israeli warplane, Reuter writes from Paris.

The Atar 9K-50 engines, built by France's state-owned manufacturer SNECMA, will power the new model of the Kfir, Israel's first home-built combat aircraft.

The Foreign Ministry announcement came on the eve of a 48-hour visit to Paris by Mr Yitzhak Shamir, the Israeli Prime Minister.

The ministry was not able to confirm it was the first big defence contract between the two countries since President Charles de Gaulle imposed an embargo at the start of the six-day Arab-Israel war. A spokesman said the inter-ministerial committee which vets arms exports authorised the sale in December 1988.

The Israeli newspaper Maariv published a full account of the deal yesterday. The French spokesman said only five engines were involved, not eight as reported by Maariv.

PRETORIA 'DEATH SQUADS' CLAIM

De Klerk urged to widen inquiry

By Jim Jones in Johannesburg

THE Sonth African Government has come under increasing pressure for a judicial and open inquiry into claims by former police captain Dirk Coetzee, a self-confessed member of assassination squads which were allegedly formed to murder political opponents.

Mr Coetzee's allegations of the existence of death squads, made in last Friday's edition of Vrye Weekblad, the weekly independent Afrikaans newspaper, corroborated those of death row prisoner and former policeman, Butana Nofemela. They were followed by police agreement for an internal inquiry headed by the head of the CID and the Attorney General of the Orange Free State.

The official inquiry is due to be completed by the end of this month. However, opposition parties and the Government's own newspapers have called for full-scale judicial inquiries, demands which appear to have been cautiously welcomed by the avowedly reformist Government of President F.W. de Klerk, intent on distancing itself from previous administrations.

At the weekend Mr de Klerk called for a report on the allegations from Mr Adriaan Vlok, the Minister of Law and Order. The South African police have always denied complicity in the deaths of more than 100 anti-apartheid activists over the past 15 years.

However, further witnesses are coming forward and the Government's opponents point out that the police have failed to solve any of the murders of prominent activists.

At the weekend, Major-General Herman Stadler, the head of the police's public relations division, reacted by saying there were many unsolved murders, including those of policemen killed during the past several years' violence in the country's black townships.

● Mr Walter Sisulu, the most senior African National Congress leader at liberty in South Africa, has welcomed Zulu proposals for talks with the predominantly Zuln Inkatha organisation. The proposed discussions, if they come to anything, would form part of broader negotiations between black groups aimed at presenting a unified front.

Two weeks ago, talks between Mr Nelson Mandela and the Pan Africanist Congress leader, Mr Jeff Masemola, were restricted to less than one day by the Sonth African authorities.

Inkatha bopes its proposed talks would result in reconciliation between its leader, Chief Mangosuthu Buthelezi, and the ANC. However, at the weekend Mr Sisulu made it clear that any discussions would first be directed at ending the killings in Natal, where Inkatha and pro-ANC militants are battling for control of townships and factory floors.

Speaking at an Inkatha rally in Pietermaritzburg on Sunday, King Goodwill Zwelethini, said the Zulns had been snubbed by being excluded from celebrations to welcome Mr Sisulu and other political prisoners freed last month.

S Korean MPs consider bill to curb speculators

By Maggie Ford in Seoul

SOUTH KOREA'S National Assembly yesterday opened hearings into a controversial land and tax reform bill designed to introduce a modern fiscal structure into the economy.

The bill, if passed, will penalise speculators and large landowners and reform the domestic rates system. This would be to the benefit of the majority.

The proposed legislation has caused controversy among influential people and large companies, although it has exceptionally strong support from the public.

Complaints from affluent sectors led the Government to make the penalty clauses less harsh before submitting it to the Assembly.

The two leading opposition parties have said they would, however, attempt to amend it back to its original form.

The aim of the legislation is to stop the spiralling land prices which have been seen in the other main East Asian cities, such as Tokyo and Taipei, and to institute a modern tax system.

● Average salaries in South Korea have risen to a level second only to Japan in Asia, according to a report from the Ministry of Labour.

After pay rises of around 60 per cent in the past three years, the average South Korean worker now receives the equivalent of $652 per month, compared with Japan's $2,711, Taiwan's $643, Hong Kong's $558 and Singapore's $401.

● North Korea is stressing its commitment to Socialism more and more ardently as hegemony breaks apart in East Europe, according to South Korean officials who have attended talks with the North, Reuter reports from Seoul.

"We are quite convinced there will be no structural change as long as Kim Il Sung (the North Korean President) lives," said Mr Choi Moon Hyun, assistant minister at the National Unification Board.

South Korea, for its part, recently set up diplomatic ties with Hungary and Poland.

AMERICAN NEWS

Nomadic band takes on Nato

David Owen on the Innu struggle to remove a military 'colony'

WITH an ear-splitting roar, two RAF Tornados hurtle down the Goose Bay airport runway in north-eastern Canada. As they rise over the ruggedly beautiful Labrador countryside, the roar moderates into a receding rumble.

Within minutes they will be skimming over the lake-strewn bogs and fir trees at heights of as little as 100 feet. Such contour-hugging exercises are vital for contemporary fighter pilots if they are to develop the skills to avoid the increasingly canny missiles that the enemy will fling at them in times of war.

Goose Bay is a Nato low-level flying centre of increasing prominence. Last year, about 7,000 low-level sorties were conducted by the British, Dutch and West German air forces. Under present agreements, this tally could increase to 20,000.

The base is also vying with Turkey's Konya to be chosen as the site of a new Nato fighter weapons training centre. If it wins, Goose Bay could legitimately claim to be entering a second golden age. The first followed the airfield's completion in 1943 when it was briefly the world's biggest.

It is not hard to appreciate why European air force commanders and governments are succumbing to Labrador's desolate charms. In stark contrast to cluttered Europe, where plotting a low-level flight path can require the patience of Job and the precision of an actuary, Goose Bay's two vast flight zones contain not one permanent dwelling. At 30,000 square kilometres, Belgium would fit comfortably into the northern flying area alone.

With so few restrictions, "you can choose your routing almost the way you would in war", says Wing Commander Ray Hallett, the RAF's unit head.

"In Europe ... if you end up flying into the sun, it's all part of life's rich tapestry."

Also in contrast to Europe, the gravitation of more flight training to Labrador enjoys strong local support.

Like most of Canada's remotest outposts, Happy Valley-Goose Bay, which abuts the air-base, is a one-industry town. Thanks to the base, it boasts an annual per capita income of more than C$30,000

The Innu want to prevent low-flying aircraft in their region

– a remarkable figure for perennially hard-up Atlantic Canada.

"It would be difficult not to make money in business here now," one local observer comments wryly. As he speaks, he guzzles cheap C$1-a-bottle beer at the Bulldog, a raucous RAF bar.

But for all its natural advantages, a shadow of considerable uncertainty hangs over Goose Bay's gilded future. The Canadian government and its European allies stand accused of squatting illicitly on Indian land.

The accusers are the Innu "people", the aboriginal hunter-gatherer inhabitants of the Labrador hinterland and the last remaining nomadic North American Indian band.

Never, the Innu say, have they entered into treaties permitting the "colonisation" of their lands. They lay claim both to the land on which the military base is constructed and to most of the territory being overflown. They refer to the anvil-shaped Quebec-Labrador peninsula as Ntesinan.

Under normal circumstances, the spectacle of a native people of scarcely 10,000 souls prosecuting its personal (and peaceful) intifada against the might of the western alliance would be positively farcical in its temerity. Particularly since more and more indigenous Canadians have indicated their readiness to negotiate the effective extinguishment of their aboriginal title under Ottawa's land claims process.

But the Innu campaign has made astonishing strides in just two years of concerted and scrupulously well organised action. This has included numerous demonstrations and a Greenham Common-style encampment maintained for three months on the Goose airport perimeter. It culminated this month with the filing of an injunction seeking a ban on low-level flying pending the resolution of their grievances.

Sheshashuit, a settlement where some 850 Innu reside outside the hunting season, is some 35km from Goose Bay and a million miles from contemporary Canada.

Unmetalled roads pick their way between cramped wooden bungalows, the majority of which appear to be swarming with children. One little boy lifts a docile black puppy into a push-chair that has seen better days. Another plays with a model jet-fighter.

Barely a hundred yards across the water lies the Hudson's Bay outpost of North West River, which once boasted the only herd of cattle in Labrador. The air is thick with the droning of dragonflies.

Between August and December and again from March to June, up to three-quarters of Sheshashuit's inhabitants return to the country to hunt caribou and to trap beaver and mink.

Such is the importance of the caribou or "atik" in Innu culture that two of its antlers have pride of place on the green, white and sky-blue Ntesinan flag. They camp rough and are frequently on the move. No pastoral romantics, however, many now charter helicopters to lift them into the bush.

It has been two years since Peter Penashue, one of the Innu's young group of leaders, participated in such a hunt. "I am too busy fighting Nato," he explains with a grin. He contends, nonetheless, that such expeditions are "what makes the difference with our culture."

A stocky 25-year-old in jeans, cheesecloth shirt and a wooden crucifix, Penashue is articulate, guarded, fidgety and plainly nobody's fool.

What Penashue and his colleagues are looking for is nothing short of self-determination. They regard low-level flying as merely the most recent manner in which the white man has illegitimately exploited their land.

Earlier depradations have included iron-ore mining (Prime Minister Brian Mulroney was once a senior iron ore industry exectutive) and a massive hydroelectric project.

As their 12-year-old statement, filed under the federal land claims process, held forth.

They have since rejected the process lock, stock and barrel. Says Penashue: "What we are looking for is a dignified way of living for those who want to stay here."

The Innu, he says, are particularly resentful of the imposition on their community of the Canadian justice system. This resentment is usually directed at restrictions imposed on the hunting of certain caribon herds in the interests of conservation.

Recently, however, observers were astonished at the support displayed by a group of Innu women for a schoolteacher convicted of sexually assaulting Innu teenagers.

"It would have been better to have settled the matter within our own community," said one of the women at the time.

The Innu have a long road to ply, clearly, if their goal of an independent Ntesinan "within or if necessary without Canada" is to be realised.

None the less, Canada's desire to cement the future of Goose Bay provides them with a bargaining chip the like of which other native groups can only dream. The Department of National Defence (DND), after all, is as anxious to resolve matters as are the Innu.

"If there is a catalystic role that we can play ... obviously we are interested," says Colonel Philip Engstad, the Canadian base commander.

Back in Happy Valley-Goose Bay, meanwhile, talk of an injunction has certainly raised the temperature. "If that injunction goes through, there are going to be a lot of pissed-off people," says John Hickey, a local telephone company employee. "I can't predict what is going to happen. It would be a dynamite keg."

In Brief

Venezuelan police seize record drug shipment

THE Venezuelan National Guard discovered 2,200kg of uncut cocaine during a raid on a warehouse in the central Venezuelan city of Valencia, Joseph Mann reports from Caracas.

The weekend seizure is the largest on record for Venezuela and indicates that narcotics dealers in neighbouring Colombia are now using Venezuela as a transfer point for large shipments of cocaine destined for markets in the US and Europe.

The Venezuelan police have expected a significant increase in narcotics activity ever since the Colombian Government declared war on the illegal drugs trade earlier this year. During the last one to two years, most seizures of cocaine in Venezuela have involved much smaller volume usually 2-10 kg strapped to the bodies of couriers.

Walesa wraps up tour

Solidarity leader Lech Walesa wrapped up a 10-day tour of North America yesterday with a day-long visit to the Philadelphia area where he received the city's highest civilian medal and appeared at an emotional mass, Reuter reports from Philadelphia.

More than 10,000 people joined in the Polish-language service in Doylestown and led by retired Philadelphia archbishop, Cardinal John Krol. Mr Walesa was scheduled to fly yesterday to Venezuela.

Peruvian officer shot

A senior Peruvian military officer was assassinated yesterday by Maoist guerrillas as he arrived homa shortly after midnight, AP reports from Lima.

Simon Dulanto Navidad, 37, was stopped by three people who forced him out of his vehicle as he approached his house in a Lima suburb, they said. He was shot five times in the chest, arms and head, according to police.

Mr Dulanto was commandant, one of the army's highest ranks, of the air transport division in Lima.

AMERICAN NEWS

Brazil's presidential rivals vie for support

By Ivo Dawnay in Rio de Janeiro

A TENSE period of political intrigue was under way in Brazil yesterday as defeated presidential candidates consulted their supporters over whom to back in the two-man run-off on December 17.

By mid-afternoon, a final tally of the votes from last week's first round was still not available. But it was clear that Mr Fernando Collor de Mello, former governor of the tiny north-eastern state of Alagoas, will now contest the second round for the centre-right against Mr Luis Inacio Lula da Silva, known as Lula, the socialist Workers' Party (PT) candidate.

Mr Collor, with a vote expected to exceed 20m, or more than 28 per cent of the 82m-strong electorate, was reported to be deep in behind-the-scenes talks with leaders of the fourth-placed Social Democratic Party of Brazil (PSDB).

But the party, whose candidate, Senator Mario Covas, surprised expectations by winning more than 8m votes, was also the subject of overtures from the PT.

The struggle for PSDB hearts and minds is the first clear indicator that both first-round victors are now battling for the centre ground.

Mr Collor – widely depicted as a right-winger by his opponents – has stressed in interviews that his programme is aimed at wide-ranging reforms based upon liberal economic policies.

Lula has also begun to play down the collectivist elements in his programme, emphasising that he seeks a broad coalition of Brazil's progressive forces.

To achieve this, he has even shown himself prepared to envisage some measure of privatisation of the country's sprawling state industries – a reversal of his previous stance.

As the largely middle-class PSDB represents both outright socialists and progressive businessmen, the efforts to win its support have left the party in danger of splitting.

Analysts believe the national executive will decide at a meeting in Brasilia today to reject both overtures, advising voters to make up their own minds.

Fall-out from the first-round poll is also dividing the Democratic Movement Party (PMDB) – the broad-ranging coalition that still dominates both houses of Congress.

Despite its efforts cultivate a centre-left image, the PMDB has become a largely conservative force.

Nevertheless, it is unlikely to back Mr Collor, who deserted the party's ranks in 1987 when he broke publicly with the PMDB-supported government of President José Sarney.

At the same time, outright backing for Lula would provoke large-scale desertions. So it too may choose to sit on the fence.

The first round outcome has also inspired an outpouring of political pique, bitterness and outright cynicism.

Mr Leonel Brizola, the left-wing populist narrowly defeated by Lula in the race to enter the run-off, is now apparently refusing to pledge support for him unless formally requested to do so.

Mr Ulysses Guimaraes, the PMDB leader hammered in the polls, has now declared himself to support a parliamentary system of government despite his fierce opposition to the idea when he thought he had a chance for the presidency.

But no one can surpass the post-poll behaviour of Mr Paulo Maluf, a long-time right-winger and advocate of liberal policies along the lines of those now being offered by his godson, Mr Collor.

Tired of being tarred with the conservative brush, Mr Maluf is now reported to be backing Lula.

Congress struggles over budget

By Peter Riddell

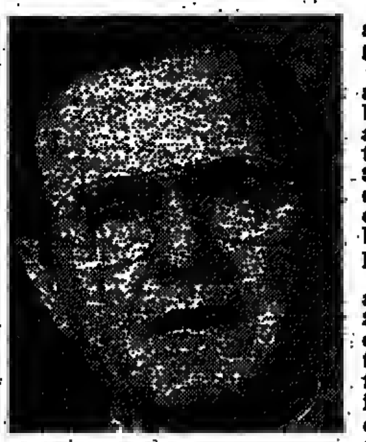
CONGRESSIONAL leaders were yesterday struggling to produce a budget bill before the Thanksgiving Day recess which would meet President Bush'e demand for a $14bn cut in the federal deficit in the current fiscal year.

The Administration is relaxed about the problems on Capitol Hill, since many senior officials would be content to retain for the entire year the $16.1bn across-the-board cuts in federal spending known as sequestration, which ware imposed in mid-October. This would also make less difficult the task of meeting the deficit target for the next, 1991 fiscal year.

However, the substantial reductions in defence spending suggested by Mr Dick Cheney, the Defence Secretary, will help to cut the deficit. Congressmen yesterday generally welcomed his proposals as a reflection of both hudgetary constraints and the changed international situation.

The US armed services are currently preparing options including the closure of bases, scrapping of weapons systems, stretching out the purchase of the B2 Stealth bomber and eliminating five fighter wings, a couple of aircraft carriers and several army divisions.

But Mr Cheney has stressed that the US must still modernise its strategic nuclear forces, inclnding the mobila land-



Bush: demanding cuts

based missile system, as well continuing work on the Strategic Defence Initiative, popularly known as Star Wars.

In the current fiscal year, Mr Bush has warned that he will veto any deficit reduction bill unless it achieves a real cut of $14bn without accounting gimmicks. But Senator Pete Domenici, a leading Republican bndget specialist, has warned that current proposals could fall $5bn short of this goal. This is because of devices such as accelerated collection of income tax payroll deductions, which would raise $2.5bn.

There are also problems about provisione which increase federal spending on social security and welfare programmes.

One solution may he to accept some of the across-the-board cuts. For instance, accepting sequestration until the end of January would save $4.4bn. Congressional Democrats object to a longer period of such cuts since there would be a growing impact on social programmes.

Budget negotiators have agreed a package resulting in $5.3bn of higher taxes in the current fiscal year. Apart from the speeding up of payroll taxes, the other provisions include fees on the purchases of international airline and cruise tickets, a new tax on the production of ozone-depleting chemicals, restrictions on deductions available to banks that lend money to employee stock ownership plans and limitations on tax relief for companies involved in leveraged buy-outs.

But there remain arguments between the Senate and the House about whether any of the controversial catastrophic health plan for the elderly should be retained, or whether it should be repealed entirely. The bill will definitely not include any capital gains tax reduction since on two procedural votes last week the supporters of a cut failed by nine to get the 60 votes necessary in the Senate to close off debate and force a vote.

US team prepares for Polish mission

By Lionel Barber in Washington

PRESIDENT Bush is sending a high-level US delegation to Poland next week to discuss how the US can help the new Solidarity-led government to pursue its economic reform programme.

The team, including top US officials as well as business leaders, will visit Poland between November 29 and December 2.

Its task will be to gather information on the Polish economy and report back to the President on how expertise from the US can assist the reforms.

President Bush's proclaimed desire to send urgent help to Poland lost some of its force at the weekend when he vetoed a foreign aid appropriations bill which provided more than $500m in assistance.

Mr Bush objected to a provision giving $15m to a UN agency that funds a Chinese population programme which critics say amounts to compulsory abortion and sterilisation.

He also opposed language restricting his ability to extract a *quid pro quo* from foreign governments receiving US aid.

Dr Michael Boskin, chairman of the Council of Economic Advisers and a member of the delegation, said he was confident that differences with Congress could be ironed out on the foreign aid bill.

Dr Boskin said Poland had an ambitious programme covering the reduction of inflation (now running at 35 per cent a month); reducing the budget deficit; privatising state companies and encouraging savings and investment.

The planned reforms needed to be matched to an IMF programme to restructure the economy which should be ready by January, he said. Meanwhile, talks are under way for a bridge loan to help Poland's short-term balance of payments.

Dr Boskin said macro-economic adjustment such as the need for price stability would almost certainly take precedence over reforms aimed at cutting state subsidies and dismantling Poland's centrally planned economy.

The US and West Germany were co-operating to form a $1bn stabilisation fund to support the zloty and thereby back price reform.

The mission follows a trip to the US by Mr Lech Walesa, the Solidarity trade union leader. The team includes Mr Robert Mosbacher, Commerce Secretary, Mr Clayton Yeutter, Agriculture Secretary, and Mrs Elizabeth Dole, Labour Secretary.

Bush seeks 'decade of democracy' for Europe

By Our Foreign Staff

PRESIDENT George Bush said yesterday that his goal at next month's superpower summit in Malta would be to make the 1990s a "decade of democracy" in Eastern Europe.

Mr Bush, who has been criticised for his failure to react imaginatively to the challenge of change in Eastern Europe, said his meeting with Mr Mikhail Gorbachev, Soviet leader had been made possible "... because America has been resolute in defence of liberty." He was speaking at a fundraising lunch.

Mr Bush and Mr Gorbachev are to meet on December 2 and 3 on US and Soviet warships in the Mediterranean off the coast of Malta. The opening of the Berlin Wall and the spread of democratic reforms in Eastern Europe are expected to dominate the meeting.

"[The meeting] will occur amid the changes sweeping East and Central Europe and bringing freedom to millions who share a common heritage with so many in Illinois," he said. Chicago was the scene on Sunday of a triumphant address by Lech Walesa, the Polish trade union leader, to the Polish American community.

The White House also announced yesterday that President will make a nationally broadcast address tomorrow evening on events in Eastern Europe and the summit.

The speech, this will he broadcast from the presidential retreat at Camp David in Maryland where Mr Bush is spending the Thanksgiving holidays. It will be only the second time in his presidency that he has made a prime-time televised address. The first was on September 5 when he announced details of an anti-drug programme.

The White House also confirmed that the President would stop in Brussels after the summit to brief the North Atlantic Treaty Organisation allies.

"The North Atlantic Council will convene on December 4 at Nato headquarters to consult with President Bush after his meeting with President Gorbachev," confirmed Nato, in a statement from Brussels.

US hints at support for increase in resources of IMF

By Peter Norman, Economics Correspondent

SENIOR OFFICIALS from the Group of Seven leading industrial countries met in London yesterday amid signs that the US is now prepared to support an increase in the resources of tha International Monetary Fund.

European monetary officials said they believad the US would back an increase of around 50 per cent in IMF quotas or membership subscriptions from their current level of 90bn special drawing rights ($114.54bn).

When the quota issue was last discussed among the G7 and in the IMF's policy making Interim Committee in September, Mr Nicholas Brady, the US Treasury Secretary, said that a "fully persuasive case" had not been made for a pressing increase in quotas. This was a view that the IMF management and most IMF members disputed at that time.

US snpport for a qnota increase could pose problems for the British Government by reopening the difficult issue of Japan's wish for a move upwards in the IMF pecking order from number five at present to number two.

Britain, at present the second ranking member in the Fund, has indicated that it is prepared to make way for Japan once the question of an increase in the IMF's resources has heen resolved. However, Britain shows no willingness to move further down the rankings as part of a general reshuffle of IMF shareholdings. In turn, neither West Germany nor France, which are curreutly the third and fourth largest shareholders in the IMF, are willing to move downwards to accommodate the British at number three behind Japan.

It was unclear last night how far these issues had been discussed at the meeting of G7 deputies. The officials were also expected to debate the difficult problem of arrears owed by a number of very poor developing nations to the IMF and more general questions relating to Third World indebtedness.

The G7 countries have widely different views about what the level at which IMF resources should be fixed. France and Japan, for example, support Mr Michel Camdessus, the IMF managing director, who has campaigned this year for a doubling of quotas. West Germany has indicated that it would support a two-thirds quota increase while Britain has so far said that the quota increase should be no more than 25 per cent.

Boeing workers to vote on end of six-week strike

By Roderick Oram in New York

BOEING WORKERS were due to vote last night on new contract terms aimed at ending a six-week strike which had virtually halted production at the world's largest aircraft manufacturer.

Hopes were running high in Seattle, Washington, home to Boeing and most of the 57,000 striking workers, that the new contract would be ratified and work resume by the middle of the week.

With its airliner production capacity stretched to the limit by a $85bn backlog of orders, Boeing has no hope of catching up on production time lost during the six-week strike. It was due to deliver an airliner a day during the fourth qnarter. Using supervisory personnel it was able to complete only 23 aircraft which were almost finished when the strike started on October 4.

Analysts believe it could take Boeing several mouths to bring production back up to pre-strike levels, creating additional problems for airlines hoping to expand their schedules. Big airlines have tried to cope with the disruptiou hy delaying sales of used aircraft. But some smaller carriers such as America West, based in Phoenix, Arizona, have had to delay new services.

Exxon unit unveils Malaysian gas project

ESSO Production Malaysia (EPMI), a unit of Exxon, the US oil giant, will invest 10bn Ringgits ($3.7bn) over the next decade in a gas project, Reuter reports from *Kuala Lumpur*.

EPMI's production manager, Mr Larry Smedley, said the investments would form the core of the country's Peninsular Gas Utilisation (PGU) project, aimed at exploiting Malaysia's more than 1.47 trillion cubic metres of gas reserves. "The project, once completed, will mark Malaysia's move from nil to gas as a major source of energy," he said.

The PGU project, the country's largest engineering undertaking, was begun in 1981 and is estimated to cost over 20bn ringgit.

The three-phase project will feed gas from offshore east coast fields to industries in the southern regions, including Singapore.

Scheduled for completion in 1997, it involves building gas facilities and a 726 km pipeline.

Malaysia's national oil company, Petronas, awarded EPMI a 20-year contract to supply gas for the project beginning in 1992. Both parties are finalising details on gas pricing and are expected to sign an agreement soon.

Thailand picks joint venture for steel complex

The Thai government has picked a Thai-Italian joint venture to build Thailand's first integrated steel project, Reuter reports from Bangkok.

The Board of Investment (BoI) chaired by Prime Minister Chatichai Choonhavan approved earlier this month a plan by Duferco International Trading Co, a private company controlled by Italian interests, and its Thai partners to build a $750m steel complex at Map Ta Phud, southeast of Bangkok.

BoI deputy secretary general Staporn Kavitanond said the venture will have tax concessions and other investors will not be allowed to open similar plants for the next 10 years.

Manila export zone sell-off

The Philippina government intends to privatise the country's export processing zones by 1992, Mr José Concepcion, the Trade Secretary, said yesterday, AP-DJ reports from Manila.

Once fully regulated by the private sector, foreign companies will be able to own land within the zones, Mr Concepcion said in a speech marking the 17th anniversary of the Export Processing Zone Authority.

Under present export zone rules, companies are given a long-term lease on land they use. There are four existing zones located in provinces of Baguio, Bataan, Cavite and Cebu.

Gatt squabbles over farms and market access

By Robert Thomson in Tokyo

A MULTINATIONAL conference to review progress under the General Agreement on Tariffs and Trade ended in Tokyo at the weekend, with delegates still far from agreement on tha sensitive issues of agriculture and market access.

The US claimed credit for attempting to end the dispute over the format of tariff cuts, which have become the most pressing problem in the Uruguay Round of Gatt negotiations, due to be completed at the end of next year.

Washington has insisted that tariff cuts be negotiated bilaterally through a "request/offer" format, while EC countries and others have pushed for a multilateral formula.

Mrs Carla Hills, US Trade Representative, asked the delegates from 26 countries and regions to formalise their proposals on tariffs by the middle of January, and for these proposals to be used as a starting point for negotiations.

A Japanese trade official said that the US was "more flexible" on the tariffs issue, which is proving unexpectedly difficult to resolve.

US policy on agriculture was condemned by Mr Frans Andriessen, vice-president of the European Commission, who said that a recently-delivered US position paper demanding open markets "brings us back to before 1986," and was disappointing for the EC, which is to deliver its own paper by the end of the year.

The tough US position on agriculture has also brought out differences among the Cairns group of agricultural exporters, some of whom believe the hardline approach could damage reform prospects. Members of the group are due to meet in coming days in Thailand to finalise their own position paper.

A Japanese trade official said the government had no public comment on US agriculture policy, but a Japanese policy document would be released soon.

US officials suggested that conference delegates showed support for Washington's position, and that there was a "general feeling that the EC should come up with a comprehensive proposal of its own".

US and Japanese officials said developing countries were less critical than in the past of measures to bring trade-related intellectual property and investment areas under Gatt disciplines.

A Japanese official declared delegates agreed "a bridge had been crossed" by the developing countries, but other trade officials said this was too optimistic and a formal agreement was still distant.

● Japanese and US officials failed to reach substantive agreement after three days of talks about forest products, Reuter reports from Tokyo.

At the talks, which ended on Sunday, the US asked Japan to re-classify its tariffs on semi-finished products and simplify its legal construction standards. But Japan said standards were based on social and historical factors and earthquake considerations, an official said.

Japan currently imposes a 3.9 per cent tariff on logs and finished products but charges 15 per cent on semi-finished products, heavily used in home building, he added.

Mrs Carla Hills and Japan's Construction Minister, Mr Shozo Harada, decided to hold the specialist talks when they met earlier in the year.

Cuba sees hard currency earnings boost from 1992

By Canute James in Kingston

WHILE many of its colleagues in the developing world contemplate the creation of a single European market with some uncertainty, Cuba sees the changes in 1992 as an opportunity to increase its hard currency earnings.

Mr José Viera Linares, Cuba's First Deputy Minister for Foreign Relations, says his country is preparing to increase exports to Europe of tobacco, seafood, citrus and other tropical fruit, textiles and garments.

"Our production costs are lower than those in the EC and in many other countries which are now supplying the EC," Mr Viera Linares said. "When Europe liberalises trade, we will be able to compete. 1992 could bring very important changes, not only for Europe, but for Cuba."

Overall value of trade between Cuba and the EC is about $800m per year.

"The balance is generally in favour of Europe, but so far this year it is slightly in Cuba's favour." The island's main European markets are Spain, the UK and West Germany, he added.

An increase in Cuba's earnings from the EC would allow the island to raise its imports of machinery, construction equipment, agricultural chemicals and medical equipment from EC states, Mr Viera Linares said.

"With the expansion in trade which we are expecting, we will also be trying to attract Western European capital to Cuba, particularly for investment in tourism which is a sector from which we can quickly earn foreign exchange.

"This is a new development, as policy in Cuba has not been in favour of foreign investment. Now it is being accepted that foreign investments can be to our benefit."

US set to act over Japanese construction barriers

By Nancy Dunne in Washington

THE Japanese public construction market is likely to be the target today of the tough measures provided in last year's US Omnibus Trade Act.

The legislation required an unfair trade practice investigation of the Japanese construction market, setting today as the deadline for an official determination of whether or not barriers exist against US companies.

If, as expected, Mrs Carla Hills, the US Trade Representative, finds the existence of market barriers, then she has one month to propose sanctions, but those proposals could come as early as today. She then has 180 days to get an agreement or to act.

Mrs Hills is under considerable pressure to toughen her line against Japan. The Administration's attempt to talk Japan into changing its business practices, under the Structural Adjustment Initiative, has thus far produced little more than frustration in Congress and "disappointment" for the negotiators.

Japanese officials, however, have been claiming "concrete and very encouraging progress" in the long-running dispute. A bilateral agreement, signed in March 1988, was expected to open at least seven major Japanese construction projects, worth about $30bn, to US companies.

Mr Koji Watanabe, Japan's deputy foreign minister for economic affairs, in Washington earlier this month, said 10 American construction groups had been officially registered to work in Japan and contracts worth about $400m have been awarded.

This figure does not impress the industry, which sees no change in the practice of "dango," or bid-rigging agreements, among Japanese construction companies. An aide to Senator Frank Murkowski, an Alaska Republican who has played a leading role in the dispute, said most of the business gained hed been "show contracts" to satisfy US demands.

In a separate action, the US Justice Department is seeking $36m in compensation from 140 Japanese construction companies for allegedly fixing prices in connection with work done on US Navy projects between 1984 and 1987 at facilities in Yokosuka.

An open door does a service, says OECD

Development is seen to gain from liberalising services trade, writes Peter Montagnon

DEVELOPING countries stand to gain economically, in particular as a result of skill transfers, by agreeing to liberalise trade in services in the Uruguay Round of multilateral trade negotiations, according to a study by the Organisation for Economic Co-operation and Development.

The study, prepared by the OECD Secretariat after two years of internal work on this aspect of trade in services, is a rare attempt to analyse the link between liberalisation of service industries and development.

A perceived conflict between the development aspirations of poorer countries and liberalisation has been one of the main stumbling blocks in the Uruguay Round negotiations, but until now there has been little sector-by-sector analysis of the kind the study provides.

"There are unlikely to be any developing countries that do not have areas of export opportunity that could be better exploited or whose overall resource allocation and development opportunities could not be enhanced by improved access to imported services and the skills transfer with which they are frequently associated," the study says.

It cautions that there can be no automatic assumption that the benefits of liberalisation in services will be as great as those from liberalising trade in goods. Experience will also vary from country to country and sector to sector, but the study identifies three general ways in which liberalisation of trade in services may help development.

It will encourage forms of trade which facilitate the transfer of skills and soft technology; all countries would gain by a continuous upgrading of infrastructure; even poor countries "may be able to develop a market niche at the appropriate level of skill intensity".

"Given the pace of technological change and its impact on developing countries the most important benefit, over the longer term, of a trade liberalisation process is likely to be the transfer of skills which frequently is associated with foreign-based activities," the study says.

The nature of the gains accruing to developing countries will depend heavily on the degree to which any Uruguay Round agreement provides for labour mobility. But, the study says, developing countries have an interest in participating in the negotiations to protect themselves against bilateral actions such as those taken by the US and European Community against Taiwanese and South Korean shipping practices respectively.

'The most important benefit of a trade liberalisation process is likely to be the transfer of skills'

The OECD acknowledges the "legitimate" adjustment concerns, including balance of payments worries and the effect on individual companies, of developing countries confronted with the need to liberalise their service sectors.

"They underline the need for an approach to liberalisation which is progressive, allowing trade to expand gradually, which encourages forms of trade that facilitate the transfer of skills necessary for the development process and which fosters co-operation with foreign-based service providers in maximising viable opportunities for using local inputs and meeting local user needs."

In its comments on individual sectors, the study rebuts the commonly held view in the developing countries that foreign insurance companies will act as a drain on the balance of payments by investing their premium income overseas. Over time this may be offset by an inflow arising from claim payments, it says. The activity of foreign insurance companies which carry more risk on their own books may reduce the need for re-insurance which has to be bought abroad.

The efficiency gains would also lead to lower premiums for consumers with accompanying economic benefits. For example, freight insurance would cost less.

Balance of payments concerns in the construction sector may be alleviated by encouraging build-own-operate schemes. Partnerships with local interests, such as that entered into by Bechtel of the US for the construction of the Caracas metro, may also lead to a skills transfer. Bechtel's Venezuelan partner is now increasingly assuming more responsibility and control.

In a similar way, in insurance, American International Group, has transferred 100 per cent responsibility for motor insurance underwriting to its local units in Kenya and Nigeria.

The study notes that developing countries can shoot themselves in the foot by being restrictive. In the field of information and computer services, it says Brazil imposed a cost of $23m on its airline Varig in 1981 by requiring it to move its reservation systems from Atlanta in the US to Rio de Janeiro.

Developing countries should also not overlook the opportunities in exporting professional services. In 1986 Tunisia had 7,000 professionals, ranging from engineers to doctors and qualified security guards, working throughout French-speaking Africa. Tunisian professionals are increasingly replacing Europeans at one-third to one-half their cost, it says.

Trade in Services and Developing Countries. 130 pages, $15.00, available from OECD, Mail Orders, 2 rue André-Pascal, 75775 Paris Cedex 16, France

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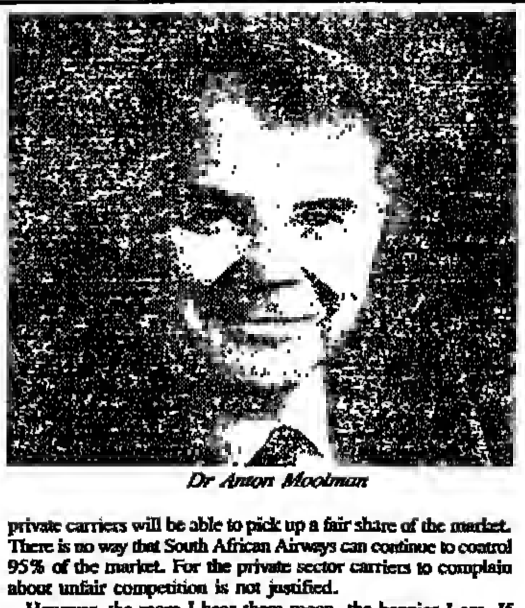
THE VOICE OF SOUTH AFRICAN BUSINESS

Trade with Africa is a bridge to a better political climate

Dr Anton Moolman, Managing Director of South African Transport Services talks to John Spira, Financial Editor of the Johannesburg Sunday Star.



Dr Anton Moolman

Spira: South African Transport Services (SATS) is a large organisation, even in world terms. What is the extent and scope of its operations?

Moolman: SATS is a multi-model transport organisation, comprising railways, harbours, pipelines, road transport services and an airline. We employ 178 000 people and earn revenues of around R10,5 billion.

We're a fair-sized railroad in world terms, being more or less on par with the larger American railroad companies. SATS has a route distance in South Africa of 21 000 kilometres and a track distance of 34 000 kilometres (of which 18 000 are electrified). We convey 580 million passengers a year by rail and 5,2 million by air. Our harbours handle 300 million tons a year. Our road activities carry nine million passengers and handle five million ton of goods a year.

All the ports in South Africa fall under our jurisdiction, while SA Airways is the largest carrier in Africa, though with 40 aircraft it is not large by world standards. We're one of South Africa's larger road transport operators and we have a fair-sized pipeline network.

So adding up all these interests, I suppose SATS can be considered a large organisation.

Spira: SATS will become a public company on April 1 1990. What are the reasons behind this move?

Moolman: We are very excited about becoming n public company. Up to now, we've been very much like a government department.We've not been obliged to pay tax, we haven't been required to comply with the Companies Act and we haven't been subject to most of the statutes with which other businesses must comply.

We're now taking this entity and moving it out of the government sector to the private sector. The Government will continue to be the sole shareholder, so it isn't privatisation but commercialisation. We'll be registered as a public company under the Companies Act, we'll have our own board of directors and we'll be subject to the same rules and regulations as any other public company.

To us it's a huge step. We'll have to pay tax, we'll not be allowed to provide for higher depreciation charges above the line (as we do at present) but rather below the line, and our bookkeeping will be done in accordance with generally accepted accounting principles.

Although it's a dramatic step, we believe it is the right way to go, because deregulation is becoming n reality in South Africa. A year or two from now, service transport will be totally deregulated. The Minister of Transport has announced that he is looking at the deregulation of the air routes. We've agreed.

To enable us to compete in such an open environment, we also have to be free to act like any other business entity and I am therefore convinced that this whole process of converting SATS into a normal business enterprise is the right one — not only from our viewpoint but from the standpoint of our competitors' because, if we were still tied to government, they would be justified in claiming that the playing field is not even.

We welcome the prospect of being exposed to market forces because we believe it will benefit the country as a whole and SATS to particular, more especially because the profit motive will make us more efficient.

To get to that point, we have an army of outside accountants and merchant banks helping us with the transformation. But that isn't the difficult part. The difficult part is to wean 178 000 people away from a "civil servant" mentality. We've been working hard to educate our people. Fortunately, in the last seven years we've reduced our staff by 100 000 people, solely through attrition. That has already conveyed the message that in order to survive we have to be successful in the market place.

We're especially happy that to South Africa it wasn't necessary for us to go through a crisis situation to achieve the transition to commercialisation — as happened in the United States, where railroads got into terrible difficulties. The final solution there was to let market forces decide which railways would survive and which wouldn't. The market mechanism is a hard taskmaster but n very fair one.

This is the whole rationale behind the move. It's a commercialisation process which is a necessary prerequisite for privatisation. It's easy to privatise; it's difficult to change an organisation into becoming a commercial enterprise and making that enterprise successful so that investors will be attracted to buying shares when they are eventually offered to the public. British Airways is a good example of how the process evolved.

Spira: SATS has made known that it is looking at certain areas of its operations which are candidates for privatisation. In which areas is privatisation likely to take place, when and how?

Moolman: Privatisation of the larger parts of our organisation can only take place once we've successfully commercialised SATS. The Minister of Transport has announced that the airline and road transport services seem to be prime candidates for privatisation. We're busy looking at privatisation of the airline and are examining policy for privatisation of SATS as a whole. Where this is all going to end, I'm not sure.

I'm happy that in South Africa we don't push privatisation for its own sake.In each instance it is evaluated against the need and its advantages and disadvantages.

Here I think it's important that what we are doing in the area of commercialisation is already leading to privatisation of many functions. For example, up to now we've been using the Reserve Bank as our banker, since we were part of government. As from April 1 next year, we shall have to use private sector commercial banks. Up to now we've been subject to audit by the Auditor General. We'll now have to have outside auditors. On both scores, what we are doing is leading to privatisation.

Up to now, the funds flowing from the SATS pension fund have been invested in SATS buildings, home ownership loans for our staff or deposits with the government. Now we have the freedom of investing those funds ourselves. We have a positive cash flow of R40 million per month and we are being advised on how to invest that money by various private sector institutions.

So, commercialisation is leading to privatisation of several functions.

Spira: SATS has received a great deal of publicity with regard to its operations in states bordering South Africa and its co-operation with these states. How far does this cooperation extend?

Moolman: We have business links with most countries in Southern Africa, going up as far as Zambia and Zaire. Traffic and equipment move freely over the borders, carrying goods there and back. We are proud that over all the years, despite the fact that political relations have at times been strained, we have never closed the borders to rail transport. We believe one should never use transport as n weapon. We feel strongly that we should rather trade than make war. In the end, trading with our neighbours will eventually bring political benefits.

What we do in Africa is conducted solely on a business basis. It involves conveying traffic to and from these states, rendering assistance in repairing equipment, repairing lines, providing spares, training and doing consulting work.

At any point in time we would have 12 000 railway trucks and between 60 and 70 locomotives in Africa outside our borders.

I would'nt like to say that better relations with our neighbours has been the prime motivation for SATS doing business with them but I would like to see it as one of the building blocks towards helping establish a better political climate. I think we've played a positive role and we can continue to play a positive role. I believe that our route back to international acceptance will be through Africa. We must show the world we can live with our neighbours. I see very positive trends in what's happening in Africa.

Although some African countries are not talking to us on an official level, on n personal level and on a railway level, we have very good relationships with them.

Spira: SATS has frequently come up against the private sector's carriers.

Does it use its muscle as a government-controlled organisation to prejudice the forces of free competition in this area?

Moolman: I know that some carriers think that we are using the interim period (prior to commercialisation) to strengthen our competitive position. But I don't see any evidence of this. Obviously, we cannot sit still and do nothing. If the market requires a service, we can't wait for someone else to pick up the business.

Once deregulation of the airlines comes to fruition, certain private carriers will be able to pick up a fair share of the market. There is no way that South African Airways can continue to control 95% of the market. For the private sector carriers to complain about unfair competition is not justified.

However, the more I hear them moan, the happier I am. If they were happy, I'd be worried. It would be a sign that we weren't doing the right things.

Spira: SATS has recently finalised plans to install a computerised rail ticket issuing system. How far is SATS along the computerised route in other areas of its operation?

Moolman: We're not unlike any other large organisation in that it is impossible to handle a big company like SATS without extensive computerisation. There's no way we could handle millions of documents daily in any other way. So it isn't surprising that we have one of the largest computer installations in South Africa.

I can foresee a situation where later on we'll go for electronic data interchange (EDI), where customers will talk to us via their computers. No documents will flow. They'll be giving us consignments on computer and they'll be billed by computer. EDI is very definitely on our future agenda.

Spira: How do you respond to the accusation that motorists are paying n premium on petrol to finance SATS's pipelines?

Moolman: We have a whole network of pipelines catering for both crude and refined fuels. We make a lot of money out of the pipelines but the extent to which motorists pay for the pipelines is far less than they think. If we should slash pipeline rates by half, the petrol price would drop by only 1%. That's not going to make any difference to the motorist. If you look at the make-up of the petrol price, the government takes a hefty slice — not SATS.

Spira: What is SATS's policy on industrial relations? Is equal pay for equal work n reality in SATS?

Moolman We're an equal opportunity organisation. That implies equal pay for equal work. All jobs are open to anyones — White or Black. Each application is treated on merit. We have Blacks coming up through the ranks at the level of station masters and engineers. We'd like to have more Blacks in our management but presently it isn't easy to find people of sufficiently high calibre.

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MISSILE PROLIFERATION

Alan Friedman disentangles the history of an Iraqi missile project

The flight of the Condor

Five years ago, Argentina, Egypt and Iraq formed an alliance to build a powerful ballistic missile – one capable of carrying a nuclear warhead. They named the project Condor 2.

Recently the story of Condor 2 has become entwined with the scandal of $3bn of unauthorised loan commitments to Iraq made by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL).

But the lessons of the affair have less to do with banking than with the way in which developed countries try to control the transfer of militarily useful technology to Third World governments.

From the start, the Condor project aimed to get round these controls. The ways in which they were able to do this provide a salutary lesson for the western governments concerned.

Iraq, Argentina and Egypt each had their own reasons for getting together to develop a missile in 1984. Iraq was caught in what seemed at the time a fight to the death with Ayatollah Khomeini's Iran. Egypt was poised uncertainly between two potential enemies, Libya and Israel (which already possessed its own nuclear-capable missile). And Argentina was keen to upgrade an earlier missile, the Condor 1, and had hopes of turning the project into a lucrative export business.

Though their aims may have differed, however, they shared two common needs: money and technology.

The two issues were related. The only feasible source of the required technology was the armaments, aerospace, computer, electronics, and machine tools industries of the West. It included solid rocket propellants and other fuels; electronic guidance and navigation systems to keep the missile accurate; and carbon fibres for the missile's nose cone to keep it from burning up when it re-entered the earth's atmosphere.

To buy these products and techniques, the Condor partners required vast sums of money; western intelligence agencies estimate that the partners have raised and spent more than $5bn since 1983.

Much of the money came from Iraq. But Baghdad never had any direct dealings with Argentina. Everything went by way of Egypt, which was the conduit through which Iraqi money flowed out and equipment and technologies flowed in.

In Egypt, Field Marshal Abdel Halim Abu Ghazala, then defence minister, was directly in charge of Ballistic Missile Egypt (BME), Egypt's part of Condor, which included work at a secret plant known as Factory 17, just outside Cairo. In Argentina, the Air Force was heavily involved in work at a development site carved out of the side of a mountain near the city of Cordoba. Italian and German technicians were brought into the Condor site by buses for daily shift work.

Technical support for Condor – the procurement of missile technologies and components – was managed by a shadowy consortium of 16 European companies based in Zug, Switzerland and Monte Carlo and known as Consen. Consen had several sister companies in Europe, the Middle East and South America including Condor Projekt AG and Ifat Corporation Ltd, both of Zug.

Western intelligence officials say that the Consen network was founded in the late 1970s and owned for a time by Bohlen Industrie of Essen and Bohlen International SA of Luxembourg. These companies are controlled by members of the von Bohlen und Halbach family, the heirs to Germany's arms-making Krupp family.

Mr Eckbert von Bohlen und Halbach, a Bohlen shareholder, when questioned about Consen, first said that the companies had been established by someone "who used me and my father as goodwill shields." Mr von Bohlen und Halbach also said he knew nothing of any exports of missile components: "The only thing we were aware of was that there was some rocket propellant and chemicals involved." In a second conversation, Mr von Bohlen und Halbach and a colleague – Mr Reinhard Truse – said they had never owned any of the Consen companies and sought to retract Mr Bohlen's earlier comments.

Ifat, one of the companies in the Consen network, is mentioned in testimony in the case of Mr Abdelkader Helmy, an Egyptian-born American citizen who pleaded guilty to smuggling in California in 1989 in a conspiracy to smuggle carbon fibre for the Condor missile out of the US. He is due for sentencing this month. Testimony in the case alleges that Ifat sent more than $1m to Mr Helmy, who was working at the Jet Propulsion Laboratory.

An internal Consen document from June 1987 (see copy below) lists the companies which, it claimed, "are most important in co-operation and as subcontractors." Outside observers, including western intelligence agencies, have pieced together the part of the project for which they believe Consen intended each of these companies to be responsible.

Messerschmitt-Bölkow-Blohm of West Germany was to supply guidance systems and general missile know-how; Snia-BPD, a subsidiary of Italy's Fiat, the rocket motors and solid fuels; MAN of West Germany the transporter erector launchers that helped make Condor a mobile missile; and Sagem of France the inertial navigation systems. Also listed as Consen/Condor contractors were Bofors, the Swedish arms maker, and Wegmann, a German producer of multiple-launch rocket systems. Some of these companies had worked as subcontractors on the US Pershing 2 missile. Western intelligence agencies believe that the Condor 2 is in part a copy of the US missile.

Of the six European companies named in the Consen document, Fiat's Snia-BPD and MBB have repeatedly denied selling any equipment to the Condor project. Last April, however, MBB confirmed that its subsidiary MBB-Transtechnica was being investigated for allegedly having broken German export control laws by delivering parts for a DM 70m missile system to Iraq. Wegmann of West Germany told the Financial Times that it received an order in 1987 from MBB to supply "a small number of components for a tractor rocket launch system, around DM 1m worth." Wegmann said it knew nothing about the end-user and regarded the transaction as being between two German companies. "We were subsequently investigated by judicial authorities and cleared, although we were told that the equipment MBB bought from us was originally ordered by the Consen group," said Mr Jahritz, Wegmann's spokesman.

A spokesman for MAN, the German engineering company also named in the Consen document, said "we don't give details concerning customers" and added that "we have always had valid export licences for any sales we made." Bofors says it can find no record of any sale of missile technology to the Consen group. The Swedish government is meanwhile investigating the possible involvement of Bofors in helping to develop the Condor 2. Bofors has confirmed that the government's arms export control office has asked it to explain why it is listed as a subcontractor in the Consen document. Sagem, which produces telex and fax equipment as well as navigation systems, did not reply to repeated FT enquiries on the subject.

From 1987, Iraq began to play an increasingly active role in the Condor project. It intensified its partnership with Egypt and allocated increasingly larger sums of money to the project. Western officials say that the Iraqis were increasingly unhappy, however, because they believed too many people were lining their pockets between Buenos Aires and Cairo.

At the same time, Iraq was acquiring military technology on a much wider scale, particularly in chemical warfare. By the start of 1988, Iraq had made significant progress on its desert missile installations, as it had also done with its chemical weapons development.

By the spring of 1989, Iraq was so far ahead of its Condor partners that it was largely able to go it alone. Argentina had run out of money, and now that Iraq had built its own research and testing sites in the desert not far from Baghdad, it had less need of Argentine help. The Gulf War ended, on favourable terms for Iraq, in August 1988; none the less, Baghdad pressed on with Condor and other military projects. It was clearly determined to consolidate its position as the leading Arab military power; it profoundly mistrusted Iran's intentions; and it saw the prospects of big revenues from sales of the Condor missile to other countries. Officials in the US and Israeli governments believe Iraq has orders to sell 200 missiles to Egypt at a price of $8m each.

The end of the war allowed Iraq to make rapid progress in the Condor 2 and other military projects. The Technical Corps for Special Projects, or Techcorp, is an Iraqi state enterprise that is part of the Ministry of Industry and Military Production. On July 13 1987, Techcorp had signed a contract with Condor Projekt AG of Zug, a sister company of the Consen network, to act as a technology consultant to Techcorp. Several of the BNL letters of credit, for goods ranging from machine tools to chemical intermediaries, show Techcorp as the Iraqi importing client.

The technology was available – but money was missing. War-torn and debt-burdened Iraq was finding it hard to borrow on international capital markets. Iraq has debt of at least $65bn, of which $30bn is owed to countries (East and West) that are not likely to forgive it. Since 1986, Iraq has been involved in a complex and apparently interminable series of bilateral reschedulings with major creditors including France, West Germany, Japan and East Bloc countries. They are increasingly unwilling to come up with new money.

In the 1988-89 period, as one Wall Street banker has recalled: "There was only one bank lending in a big way to Iraq and that was Banca Nazionale Del Lavoro (BNL), the Italian bank. But nobody in New York understood why BNL was lending to Iraq all this money and through its branch in Atlanta, Georgia."

Between February 1988 and July 1989, the Atlanta branch of BNL handled 2,500 separate letters of credit and made loan commitments totalling $3bn. It borrowed a total of $1.85bn from 30 or 40 banks on the interbank money market and used J P Morgan in New York to clear all its payments to the central bank of Iraq and to US and European companies exporting to Iraq. It reported none of this to US or Italian bank or government authorities. Italian judicial investigators suspect that someone at BNL in Rome knew about the Atlanta operation, but the investigators have not revealed any names and the bank denies that any executive was involved.

Western officials believe that hardly any of the BNL money was used for the direct purchase of ballistic missile technology. But some of more than $600m of direct BNL Atlanta loans to Baghdad did go to companies such as Techcorp, the Iraqi company that signed the Condor 2 contract with the Consen group.

Among the recipients of BNL money were a series of companies in Britain, the US and West Germany, all connected to Technology and Development Group (TDG) and TMG Engineering of London, Al-Arabi Trading Company of Baghdad, Matrix-Churchill of Coventry or other companies with part-ownership or other ties to Iraq. Mr Fadel Jawad Kadhum, a director of many of these companies is, according to UK officials, also a senior official of Iraqi state industry. Mr Kadhum says, however, that the Iraqi directors of Matrix-Churchill "have nothing to do with the Government of Iraq or the authorities in Iraq, but we do have contacts."

The Matrix-Churchill exports financed by BNL were not illegal, but Western military experts say that Iraq has no need for the advanced machine tools sold by Matrix-Churchill except for military projects. As one British official put it: "It doesn't matter whether it's machine tools or computers. The one thing they have in common is high technology. It all clearly has an arms linkage." Matrix-Churchill says that a small part of its exports to Iraq was used in making components for each conventional weapons as shells and guns. The company says every machine exported was given a UK Government export licence, and that none was used to make components for missiles.

The Condor story raises questions about the effectiveness of the the commitment of western governments to preventing military technology transfer.

In 1985, seven western countries – the US, West Germany, France, Britain, Italy, Japan and Canada – began observing an export control accord; they announced it officially in 1987. The accord is called the Missile Technology Control Regime (MTCR) and it proscribes the sale of missile related equipment and technology. Yet the story of the Condor missile shows that western governments' commitments to these goals can be weakened when there are rival issues – foreign policy or export orders – to be considered.

The weaknesses are particularly noticeable in Washington, because of the thoroughness with which the intelligence community claims to have studied the transfer of military technology. Mr William Webster, the head of the Central Intelligence Agency (CIA), spoke about missile proliferation last May before a Senate committee. He said that the CIA has been collecting and analysing intelligence on the proliferation issue for decades and that the agency employs "some of our most sophisticated collection methods and analytical techniques to address this critical issue."

In following the Condor, and Iraq's acquisition of other, potentially military, technologies, Western governments had two possible trails to follow: the money trail and the technology trail. In each case, they appear to have slipped up.

Mr Patrick Clawsen, a former Iraq specialist at the International Monetary Fund, points out that some of the BNL money was guaranteed by the Eximbank and adds that BNL's tapping of the interbank market for $1.85bn should have rung "fire bells" somewhere. "If some bank starts on a regular basis tapping the interbank market for nearly $3bn over 17 months and sending the money to Iraq, don't you think the Federal Reserve or other banks would hear about it?" Mr Clawsen asks with a frown on his face. The Federal Reserve has refused to comment on the BNL affair.

Dr Norman Bailey, as senior director of national security planning at the Reagan White House from 1981-83, initiated a programme in 1982 to deal with problems of technology transfer and funding of Middle East terrorism as well as debt issues. The programme was called "Follow the money" and it made use of intelligence and electronic intercepts to tell the National Security Council about important money flows. One of Dr Bailey's successors says that he was unaware of the programme during his three-year term of office from 1985. Other officials at the time say that the intelligence information on money flows such as the BNL loans was definitely available to the Administration.

Also available was information on the technology flow. In his Senate testimony, Mr Webster said that Third World builders of missiles had used a number of firms in western Europe that had sold missile components and specialist know-how. The CIA chief added that "countries will often claim falsely that a technology they are seeking for a missile programme will be used for an entirely benign, and plausible, purpose." He said that "cover firms" or front companies are established where export controls are more lenient. Since this is precisely what happened in the Condor 2 project, the failure to prevent it is the more striking.

In Washington at least, government officials and intelligence agencies faced two different sorts of pressure. One stemmed from the US government's attitude to the two sides in the Iran/Iraq war.

Mr Seth Carus, a missile proliferation and chemical weapons expert at the Naval War College Foundation in Newport, notes that "during the Gulf war a decision was clearly made in Washington to permit a whole host of activities for Iraq that would help it to fight Khomeini's Iran." Among these activities were the sharing of some intelligence with Iraq; allowing Iraq to buy 60 helicopters from Hughes Helicopters, now a part of McDonnell Douglas, and 45 from Bell Helicopters since 1983; and providing billions of dollars of US credits for grain shipments to Iraq.

Mr Carus says that after Iraq used chemical warfare in 1988 "there were people in the Government who were uncomfortable with what was happening, but very, very few people cared enough to do something about it."

The second sort of pressure, common to all western governments, was commercial: the desire not to hamper exporting firms with unnecessary restrictions.

Mr Stephen Bryen was the Pentagon's Deputy Under Secretary of Defense for trade security policy during the Reagan years and possibly the most active US official involved in trying to stem the flow of missile technology to Iraq, Egypt and Argentina. Mr Bryen, a man with a brusque approach and a hard-line reputation, made enemies in the State and Commerce Departments. His concerns appear to be shared, however, by some officials at the Foreign Office in London.

In an article to be published shortly in Moment, a US magazine, Dr Bryen alleges that the US Government and some Nato allies "allowed and abetted the development and stockpiling of a major chemical warfare capability" in Iraq. He says this has occurred because the Commerce Department, in charge of export licences, "has been allowed to keep information on US sales of militarily useful hardware to Iraq secret."

Dr Bryen explains how he "witnessed this appalling performance" from inside the Reagan Administration "and usually could do little to stop it." He describes how on one occasion he discovered the proposed sale to Iraq of an analog computer system and was only able to block the shipment after forcing the issue to the National Security Council. The computer, says Bryen, was the same as one used in the US Army's White Sands missile testing programme. "It was recognisable as militarily useful hardware and it was certainly going to be used for the Iraqi missile programme, to build both launchers and missiles."

The computer sale was blocked, but many other sales went through, including several equipment and technology orders that were shipped by US companies to Germany for onshipment to Iraq's Sa'ad 16 missile and chemical weapons research plant in the desert near Baghdad.

Among these were export licences in 1985-86 for Hewlett-Packard, the California computer and electronics company which sold about $1m worth of general purpose computers and electronic test and measurement equipment. Hewlett-Packard stresses that it had no knowledge of the military work being conducted at the Sa'ad complex and says it goes to great lengths to ensure that its high technology exports do not fall into the wrong hands.

Tektronix, a leading Oregon-based maker of electronic test equipment, has confirmed that it sold more than $50,000 worth of electronic measuring equipment to Gildemeister, the West German contractor that equipped the Sa'ad laboratories. Gildemeister of Bielefeld was last spring investigated by German state prosecutors for its involvement in the Iraqi Sa'ad plant.

Wiltron, like Tektronix also a West Coast US producer of electronic test equipment, has confirmed that in 1986 it shipped a scalar network analyser, used to test microwave communications, to Germany for onshipment to Iraq's Sa'ad 16 complex.

In each of these three cases, western intelligence officers believe that the products contributed to Iraq's missile development. Export licences were issued to each of these US companies, at times after being specifically approved by the National Security Council (NSC).

These exports were perfectly legal. The wisdom of the government's export approvals is another matter, however. A former US official involved in the discussions between the Commerce and State departments, Pentagon and the National Security Council says that the US government knew that Sa'ad 16 was likely to do missile-related work. This official claimed that Washington approved the export licences because it was assumed that the same products would be available to Iraq from non-US suppliers.

Prof Gary Milhollin, a Washington-based nuclear proliferation expert and former Pentagon consultant, says there is a bureaucratic war between the Pentagon on the one hand and State and Commerce on the other. Prof Milhollin says the Commerce Department has "a tremendously strong pro-export bias" and complains, like Dr Bryen, that its record is poor because its proceedings are secret.

Western efforts to halt the flow of technology to Iraq were largely after the fact. Mr Dan Quayle, the US Vice President, says the US intends to "keep up the pressure" and that this approach "has begun to produce results in the case of Germany and Italy as a result of our actions over Condor." Judicial investigations are under way in Germany (a Munich prosecutor is investigating whether MBB broke export controls over the shipment of missile parts). And in Italy, a Rome magistrate is investigating whether a group of nine former Fiat-SNIA employees – who all left the company in the past 12-18 months and include one of Europe's leading rocket specialists – were involved in the illegal export of missile technology to the Condor 2 partners.

Iraq's armaments programme attracted hostility from abroad that sometimes spilled over into direct action. A number of incidents – which some western officials believe to have been linked to Israel – appear to have been aimed at dissuading European companies from participating in the Condor 2 project. In early 1988, a bomb exploded in front of a car that was to transport Italian and German technicians to work near Cairo. In May 1988 the Peugeot belonging to Mr Ekkehardt Schrotz, a Consen executive based near Monte Carlo, exploded during one night. And in August 1989, an Iraqi military plant near Baghdad exploded with reports of several hundred deaths. It is unclear, however, whether this was sabotage or an accident and whether it was a Condor plant or another type of military factory.

The story of the Iraqi missile and munitions projects comes at a time when relations between the superpowers are warming. The most dangerous new threat to global stability, in the eyes of many western officials, is no longer a US-Soviet conflict; it is the prospect of the proliferation of chemical- or nuclear-tipped missiles in the hands of Third World countries, mainly in sensitive regions.

The Iraqi story is a cautionary tale of how governments, banks and industries may consider export orders more important than security, or may simply be lax about controls even when the consequences of such laxity can be very serious.

US officials asked about the Iraqi affair lament that "this one slipped through the cracks" or complain that the bureaucratic conflict between State, Commerce and Defence was "all about telling the others to stay out of my sandbox." A senior Bush Administration official says that while he is not familiar with the BNL case "I am confident that if the intelligence information had been brought to competent officials in State and Defense that steps would have been taken to arrest this business." He rejects the notion of anyone turning a blind eye as "inconceivable."

Three facts remain uncomfortably clear, however:

● Intelligence was available in Washington about the BNL money flow to Iraq and plenty of intelligence was available about Iraq's military procurement networks and its work on Condor.

● The Reagan and Bush administrations' ability to implement anti-proliferation policies has been damaged seriously by continuing bureaucratic conflicts between departments.

● Iraq has reached an advanced stage in its development of missiles and chemical weapons, thanks largely to US and European companies.

The strange flight of the Condor 2 – from its clandestine inception in the hollowed side of an Argentine mountain to its current stage of preparation in the deserts of Iraq – has worried the governments of Washington, London, Jerusalem and even Moscow. It highlights a proliferation threat that is not limited to the Middle East.

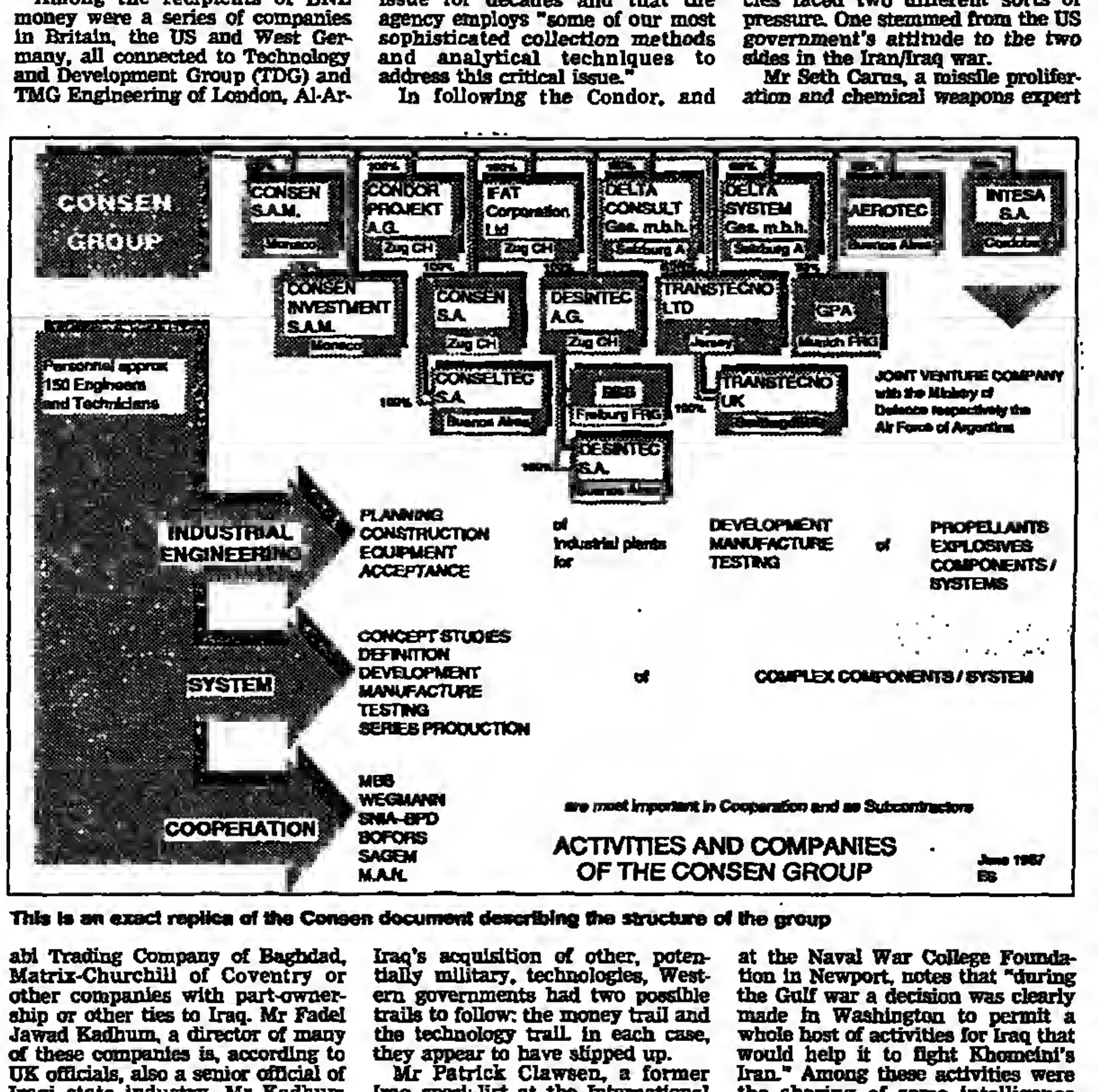
The Condor project is one of the ballistic missile development programmes about which most is known, and on which the US believes its control efforts have had most impact. The US State Department claims these efforts have frustrated the clandestine supply networks for the programme in western Europe.

But it fears that the number of countries with indigenously-produced ballistic missiles could double from 10 to 20 by the end of the century. Intermediate-range missiles have been successfully tested by both Israel and India. Israel's Jaricho-2 is thought to have a potential range of 1,500km, far enough to reach Soviet Black Sea bases. South Africa is thought to be developing its own weapon in collaboration with the Israelis. India claims its Agni missile, test-fired this year, will have a range of up to 2,500km.

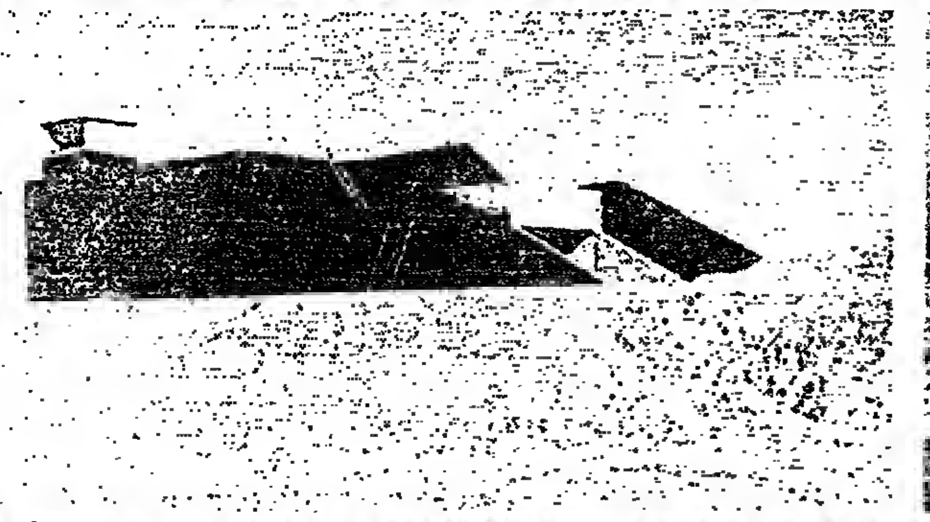
At the height of the Iran-Iraq war, Saudi Arabia bought a batch of second-hand Chinese CSS-2 intermediate-range missiles, which in theory could reach Israel or the Soviet Union. But the Chinese have since given Washington assurances that they will not supply others. In shorter ranges of between 150 and 600km, Brazil and Pakistan have also been developing their own missiles. Numerous other countries have Soviet Scud-Bs in this range, a weapon that Iraq developed further for use against Iran.

Condor itself still lacks some crucial guidance and motor technologies. Its full testing and deployment could still be two or three years away. But the story of the missile's development illustrates clearly the risks attached to lax – or indulgent – controls on the transfer of military technology.

The corresponding flow of money – from the Atlanta branch of BNL to Iraq, and then to suppliers of militarily useful technology in the west – raises similar problems. Money, as Vice President Quayle recently pointed out, cannot be controlled by export controls. Thus the only way to have stopped the flow of funds would have been for the right intelligence informatinn to have been used by government officials in Washington. On this, as on the wider Iraqi military agenda, Washington was unable or unwilling to take action.



This is an exact replica of the Consen document describing the structure of the group



These photographs, which reached the FT from intelligence sources, are alleged to show a missile fuel R&D complex 35 miles south of Baghdad

Thatcher's premiership puts a premium on the pound

By Simon Holberton, Economics Staff

WHEN Mr Nigel Lawson resigned as Chancellor of the Exchequer 3½ weeks ago the pound fell by 2 per cent, but it quickly recovered most of the lost ground. Foreign exchange dealers are now mulling over the idea that there is a "Thatcher effect" at play in the foreign exchange markets.

The impact of political events on the financial markets is often short lived and less fundamental than the impact of economic numbers.

But analysts in the City of London believe that the Prime Minister's effect on the markets, as British Prime Minister, could be considerable. They say she is held in high esteem by foreign investors who have been content to hold sterling over the past month simply because she heads the government.

Mr Paul Chertkow, chief economist international at US securities house Drexel Burnham Lambert, said: "I think the pound would plummet if she went, no one abroad knows anyone else in the Government."

Mr Glenn Davies, economist at Crédit Lyonnais, said: "The foreign perception is that we have a strong right-wing Government led by Mrs Thatcher. The resignation of Mr Lawson was largely ignored because as long as she remains there is the appearance of strong government."

Despite their belief in the "Thatcher effect" analysts were unable to quantify its impact on sterling. The circumstances surrounding any departure of Mrs Thatcher would influence the currency markets, they said.

Mr Davies said that the reaction of the markets would be different if Mrs Thatcher resigned for health reasons than if Mr Michael Heseltine, for example, mounted a successful coup.

The financial markets' skittishness would also vary depending on the circumstances of a formal leadership challenge.

If Mrs Thatcher were to stand aside, for example, the short-run path of sterling could be sharply downward as foreign investors would be ignorant about the candidates.

If, however, she stayed put and looked like winning, the currency markets' reaction could be muted.

Mr John Shepperd, economist at Warburg Securities, said the cult of Mrs Thatcher's personality has a lot of appeal abroad. "There is a large Thatcher premium in the pound," he said.

But as Mr Lawson's departure showed the effects of surprise changes in politics can be larger in the expectation than in reality.

The pound fell on the departure of Mr Lawson as Chancellor but it recovered most of its losses in the week after.

Parliament opening will test rumours of a leadership challenge

TODAY's Queen's Speech will fire the starting gun for what may turn out to be the first battle for the Conservative leadership for 15 years – or one of the most eagerly awaited non-events in recent political history, writes Philip Stephens.

Mr Nigel Lawson's resignation as Chancellor has left Westminster awash with rumours that Mrs Thatcher may face the first formal challenge for the Party leadership since she won it from Mr Edward Heath in 1975.

Today's state opening, at which the Queen sets out her government's legislative plans for the next session, will mark the beginning of the formal process which will reveal whether those rumours reflect the traditional tea-room fantasies of disgruntled Tory "wets" – as moderates have become dubbed in the Thatcher lexicon – or whether one brave soul at least is ready to test Mrs Thatcher's long-assumed invincibility.

In theory, there is a leadership election each year under the system introduced by Sir Alec Douglas Home in 1965 to replace the intensely secretive deliberations of the party's "Grandees" in the smoke-filled libraries of Tory clubland.

With the 374 Tory MPs providing the electorate, any one of them with the support of two sponsors in the parliamentary party can mount a challenge. The contest must be held within 28 days of the opening of the new parliamentary session, with the existing leader given the option of selecting the date.

No one has so far dared challenge Mrs Thatcher. After all, her leadership has won the Tories three general elections and 10 years as Prime Minister has given her an iron grip on the patronage which oils the party machinery.

It also appears certain that none of the main contenders – among them Sir Geoffrey Howe, Mr Kenneth Baker, Mr Michael Heseltine and Mr John Major – is yet ready to launch such a challenge.

What has emerged in the last few weeks, however, is the possibility that an aggrieved MP could present himself as a protest candidate.

The aim would be to undermine Mrs Thatcher's position by persuading enough colleagues to vote against her, abstain or spoil their ballot papers. That in turn could pave the way for a more serious challenge if the party's electoral fortunes have not improved this time next year.

The ultimate – but this year almost certainly unattainable – ambition would be to deny Mrs Thatcher an overall majority on the first ballot, which would force the principal leadership candidates into the ring.

A challenge is still by no means certain, although some senior Tories believe that the odds are shortening.

The rumours will continue until the last moment. Any candidate will face enormous pressure from party managers at Westminister and from his or her local Conservative association to back down. So no one is likely to declare their hand until a few hours before nominations close.

Even if, however, the tea room gossip proves no more than that, Mrs Thatcher will not be able to ignore it. Its very existance shows that the *fin de siècle* air which surrounded her 10th anniversary celebrations earlier this year, a disastrous performance in the European elections, and the divisions in the cabinet have taken their toll.

Her own recent admission that she expects to stand down after the next election has also destroyed the always illusory but psychologically important assumption that Mrs Thatcher would "go on and on".

Those close to the Prime Minister insist with some cause that her enemies have consistently underestimated her. There is also no doubt that she still has a large, fiercely loyal, following among MPs.

But as one of her cabinet ministers commented recently, loyalty in the the Conservative Party is based above all on the hope and expectation of victory. Mrs Thatcher's future depends on her ability to demonstrate over and again that she has a better chance than anyone else of delivering it.

Heseltine warns against 'two speed Europe'

By Philip Stephens, Political Editor

MR Michael Heseltine yesterday reopened the intense debate within the Conservative party over European integration with a harsh warning that Britain risked being left behind in a "two-speed" Europe.

The former defence minister – a declared candidate for the future leadership of the Conservative Party – sketched a vision of the European Community in the 1990s sharply at odds with that of Mrs Margaret Thatcher, the Prime Minister.

His decision to outline an alternative approach comes amid growing concern among many Conservative MPs that Mrs Thatcher may face isolation among the 12 when next month's EC summit in Strasbourg debates closer monetary integration.

The Prime Minister has indicated that she will fiercely resist at the summit both the proposals for a single European currency envisaged in stages two and three of the Delors report and the plans – approved yesterday by the EC Commission – for a European-wide social charter.

Some of the Government's supporters believe that that stance may prompt a dissident backbench MP to mount a symbolic challenge during the next few weeks to Mrs Thatcher's leadership of the party.

Mr Heseltine, detailing his views in a speech in Brussels and in an accompanying political pamphlet, backed the call yesterday by Sir Leon Brittan for an early move towards full British membership of the European Monetary System.

Sir Leon, a vice-president of the EC Commission and a former minister, won a warm reception at the Confederation of British Industry's annual conference for his stance. It was later echoed by Lord Carrington, the former Foreign Secretary, who said in a BBC radio interview that Britain had to avoid being "marginalised".

Mr Heseltine said that sterling's absence from the EMS exchange rate mechanism was incompatible with the need to maximise Britain's influence in ensuring the creation of the free-market European economy that the Government sought.

In a thinly veiled attack on Mrs Thatcher's view that the future development of the Community should be based on closer co-operation between independent nation states, he called for more sovereignty to be pooled in a restructured European Parliament.

He said: "There will be those who fear that, in moving closer to Europe, Britain will lose her identity. On the contrary, I believe that within the Community she will find a greater one."

He warned that Britain would stand apart from tomorrow's Europe "at its peril", commenting that "Our fellow Europeans want us to travel with them, but they will no more allow us to frustrate their ambitions in the 1990s than in the 1950s".

Answering Mrs Thatcher's criticism – voiced again at the weekend EC summit in Paris – that economic and monetary union would undermine democratic accountability, Mr Heseltine called for closer links between national parliaments and the European Parliament.

That co-operation should eventually be formalised with the creation of a powerful second chamber, or Senate, for the Strasbourg assembly, with its members drawn directly from national parliaments.

In what appeared to be a determined attempt to set out a detailed and distinctive foreign policy, Mr Heseltine put closer co-operation within the Community firmly in the context of the need to respond positively to the recent upheavals in Eastern Europe.

Calling for strong EC support for the emerging democracies in Eastern Europe – particularly Poland and Hungary – he said that the process of change was now "poised perilously between the resentment of economic failure and the frustration of latent nationalism".

CBI conference

Budget boost for investment urged by businessmen

By Charles Leadbeater

THE Government will come under increasing pressure to tailor next year's Budget to encourage investment, the Confederation of British Industry, the employers' organisation, made clear yesterday.

Delegates at the annual conference in Harrogate, northern England, gave overwhelming support to a package of Budget proposals designed to ensure that fiscal policy will offset the recent tightening of monetary policy through higher interest rates. The proposals will concentrate on four points, namely that:

● Cuts in personal taxes should be restrained.

● Depreciation allowances on capital investment should be increased from 25 per cent to 40 per cent to allow about two thirds of the costs of investment to be offset against tax over two years. Mr David Lees, chairman of the components manufacturer, GKN, and chair of the confederation's economic policy committee, said ideally corporation tax rates should be reduced as well.

● Government-imposed increases in business costs, such as higher national insurance contributions and the uniform business rate, should be avoided.

However, Mr Norman Record, of C&J Clark, said the CBI had to take its share of blame for the economy, as it had consistently been over-optimistic. He said: "The tone of recent comments on the economy has been excessively optimistic. There has been no economic miracle in this country, we have had an economic fairy tale."

Mr Record said the economy was in a dire state measured by the balance-of-payments deficit. Only a recession or several years of slow growth would eliminate it. He said the CBI should recognise that employers had failed to get to grips with wage inflation.

However, Mr Trevor MacDonald, of British Steel, warned that high interest rates were essential to reduce inflation. Gambling with inflation could have far reaching repercussions and take Britain back to the politics of the 1970s.

Rachel Johnson adds: Sir Robert Reid, the outgoing chairman of British Rail, added his support to repeated calls for more investment in transport infrastructure in the UK with a plea for public money to be used to fund new rail links in London.

While acknowledging that Eurorail - the consortium picked to build the fast rail link to the Channel tunnel - was a private-sector affair, he argued that rail investment was a question for government.

"Mechanisms exist for finance to be provided to meet forecast demand," Sir Robert said.

Meanwhile, others were calling for more radical solutions for the "intolerable inadequacies" of the UK's transport system.

Sir Christopher Foster, Coopers & Lybrand, praised Mr John Major, the Chancellor, for increasing public funding on transport by £900m on road and £600 on rail in the Autumn Statement.

This was nowhere near enough, however. "More will be needed. Now there is no doubt that public expenditure has been a constraint in the past," he said.

While costs to industry of congestion in the south-east were well documented, the Government had not addressed the "affordability" issue of expenditure constraints.

That failure, Sir Christopher said, left one option for consideration: privatising existing motorways and turning them into tollways.

"That should solve the financing problem - private and public - at a stroke."

Mr Robert Atkins, Minister for Roads and Transport, said his ministry agreed that "fine talk" did not build a mile of new road. The key to congestion was cash and spending on new roads was to double to almost £2bn a year over four years to 1993, as announced in the Autumn Statement.

John Hunt adds: A warning that the price of energy will have to rise to pay for the costs of a cleaner environment was given at the conference by Mr Chris Patten, the Environment Secretary.

"We need to ensure that the price of energy progressively reflects its full costs - including the environmental costs associated with its provision," he said.

Any action to raise energy prices would have to be taken internationally. It would be unthinkable for Britain to do so unilaterally because that would wreck the country's industrial competitiveness, he said. Mr Patten declined to expand on his remarks.

Key Ford wage dispute moves closer to strike

By Michael Smith, Labour Correspondent

THE PROSPECT of industrial conflict at Ford, the vehicle manufacturer, moved closer yesterday when union leaders decided to recommend the coopany's 32,000 manual workers to strike over pay.

The unions, led by the TGWU general workers and AEU engineers, said tbey would be available to meet Ford negotiators, but only if the company reconsidered tbe "final offer" it made 10 days ago.

Their tough stance has implications both for tbe Government's fight against wage inflation. and for bundreds of manufacturing companies whose pay negotiations are traditionally influenced by the Ford pay talks as a guide for their own negotiations witb unions.

Mr Jimmy Airlie, lead negotiator for tbc AEU at Ford, refused to be drawn oo wben tbe unions would start balloting. Internal union talks would be held during the "next few weeks" before a vote.

The Ford ballot decision coincided with tbe third of a series of one-day strikes by 4,500 manual workers at the Luton plant of Vauxhall, the General Motors subsidiary. At Ford there is no argument about the value of tbe offer which would meao a 9.5 per cent increase in tbe first year of a two-year deal and inflation plus 2.5 per ceot in the second year.

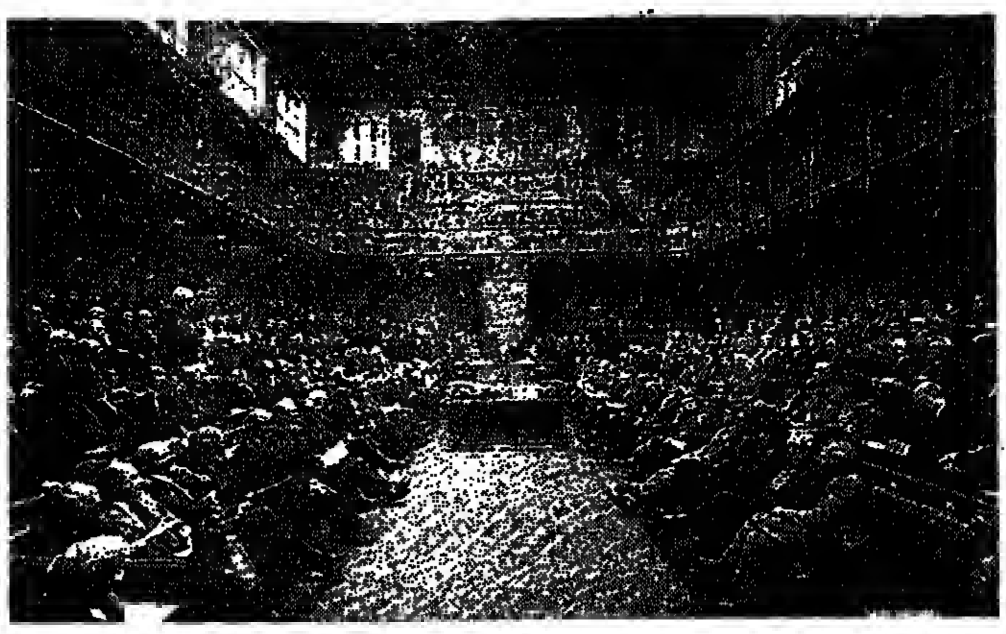
Mr Jack Adams, lead negotiator for the TGWU, said workforces at each of Ford's 22 plants had shown in a series of near-unanimous votes last week that tbey did not consider the offer enough from a company which last year made profits of £673m.

However, the unions do not want to talk about productivity until they get a higher offer. They also waot the company to drop its resistance to a reduction in the 39-hour week.

● The London Ambulance Service management offered to put all 999 emergency calls througb to ambulance crews and abandon the use of police and troops, in a bid to get a proper ambulance service back on the road, and in what was seen as a big climbdown on the part of LAS management in the long-running national dispute.

TV finally switches on to the House of Commons

Ralph Atkins reports from inside Parliament on an historic day for British democracy



THE HOUSE of Commons opens its doors to the telcvision cameras today, anxious and unsure how political drama will go down with a previously-sheltered public.

MPs collectively have been suffering butterflies in the stomach. It is not stage fright. The lights bave been on for five weeks, stage directions are well-rehearsed and face powder and dress co-ordination hardly unfamiliar in a TV age.

More, it is a realisation that the powerful force of television is likely to change tbe character of the chamber for ever - and, in turn, the democratic process.

The door may be only ajar to start witb. Broadcasters face numerous restrictions on what shots can be shown. But, after the year-long experiment has ended, that door is more likely to come crashing down than be shut once more.

In an extreme scenario painted by some, Government statements and opposition responses will be aimed merely at creating "sound-bites". Details will be left for behind-the-scenes briefings.

Big debates will focus, not on the nitty-gritty of legislation, but on Big Issues - East Germany and tbe current ambulance dispute would be topical examples. Speeches will be sbort (cutting the waffle, to be brutal) and the House will either hear more speakers, do more husiness or go home early.

More immediately, TV pictures will he watched for effects on the standing of tbe parties and the halance between front and backbenchers.

The first is that the restrictions proposed by tbe select committee on broadcasting are going to be inordinately tight. True, they are restrictive; hut in practice their interpretation has been relaxed - and could be relaxed furtber. With the eight cameras fixed to the underside of the galleries overlooking the chamber, many shots, by necessity, include more than just head and shoulders. Waist upwards is more the norm; also including members sitting to the sides and behind the MP speaking.

Despatch box shots vary between cameras. Wide-angle plctures are commonplace between speeches, allowing the full geography of the chamber and the number of MPs present to be seen.

Critics point to the damaging effects on set-piece debates such as the clashes between Mr John Smith, Labour's treasury spokesman, and Mr Nigel Lawson before his resignation as Chancellor. Theoretically, Mr Lawson's stony, fad-up expression would not have been seen hut a wise opposition would have made repeated references to him, allowing the cameras to focus on Mr Lawson's glare.

Another common assumption is that it is going to be boring televislon. While MPs will not displace Australian soaps in audience ratings, the House of Commons feed will be in constant demand by broadcasters used to talking over slides or shots of red buses circling Parliament Square.

Mrs Thatcher's dogged determination under pressure at Prime Minister's questions and the sparkle in opposition leader, Mr Neil Kinnock's eyes when be scores a point off her will be entbralling.

Grand debates offer potentially rich viewlng. Today's opening motion on the Queen's speech, the Government's outline of fortbcoming legislation, is likely to be a prime example. Mr Bernard Weatherill, tbe speaker or chairman of tbe chamber, has described Westminster as "the best show in town".

It is not true that television will always favour Government and opposition spokesmen. Camera angles currently are most awkward for speakers at the two despatch boxes. Shots come from above, exposing bald patches and hidding faces when reading from prepared texts - a particular disadvantage for the Government.

A better postion is at the back, where camera angles are straighter and the wooden paneling. gives a less distracting background. Backbenchers will be able to grab much of the limelight by "doughnutting", gathering around the member who is speaking. Pointed interventtons and colourful speeches will appeal to TV studios.

But cultivating presentation skills need not be dangerous. In the 1990s voters will be entitled to argue that an MP who dresses badly or who cannot present his ideas clearly is misplaced in the House of Commons.

MPs may be unsure whether they will welcome the cameras into their chamber. What is certain, is that they will bring Parliament truely into the television age.

Canadians have been switched on for 12 years

By David Owen in Toronto

SINCE Canada began the world's first continnous televised coverage of parliamentary proceedings in October, 1977, the changes which the electronic eye has brought have heen largely of form rather than snbstance.

Arguably the most significant have been to increase the extent to whicb the 45-minnte Qnestion Period - whose format is admlrably snited to brief newsclips - have become the focns of attention. This, in turn, has tended somewhat to diminisb tbe importance accorded to parliamentary debate.

Otherwise, members have a tendency to be more image-conscious than they were in former years. They are also mnre inclined to lard their statements with French when remarks are of particular relevance to the country's Francophone community.

Bnt televislon has not noticeably increased attendance in the Chamber. Nor has it resulted in more histrionic debate.

In fact, if anything, the presence of the medium has had a calming effect. "We get a lot of mail complaining abont catcalls and heckling," says Mr Jim Watson, director of communications at the Speaker's office.

"Members now appland in order to signify approval ratber than banging desktops," adds Professor Anthony Westell, director of the school of journalism at Ottawa's Carleton University.

"Anybody who imitates what we do is nnts," says Mr Gordon Cullingham, part of the Canadian Broadcasting Corporation project team which installed the original system."It is a very expensive lie that is offered to the Canadian pnblic every day."

Satellite TV to run full proceedings

By Raymond Snoddy

THE FULL proceedings of the House of Commons will he available on satellite television from today in an experiment to test the viability of a public information channel along the lines of the C-Span channel in America.

Agreement was reached yesterday between the House of Commons Broadcasting Unit - owned jointly hy tbe BBC and the independent Broadcasting Anthority - and Mr Rupert Murdocb's Sky Television, the Luxembourg satellite company SES and British Telecom International (BTI) for tbe experimental service.

The pictures from the House of Commons today will be relayed by BTI to Astra, the 16-channel satellite that bas been transmitting the four Sky Television channels since February.

More than 400,000 homes in the UK equipped witb 60cm Astra satellite dishes will be able to watcb parliamentary proceedings from opening to close, if they choose to do so.

The service can also be carried on cable televiston networks but it is not yet clear how many cable stations will carry the signal.

Tba objective is tbat the experimental service will also include coverage from tbe House of Lords and other public events.

The new satellite service which will use a spare Astra channel - channel 9 - can be pre-empted if a commercial user comes along. The same is true of BTI'a "uplinking" capacity.

The hope of the consortium of Britisb broadcasters is that the experiment, bowever brief its initial life may turn out to be, will show there is interest in making the full proceedings of parliament available as a non-profit-making satellite television channel.

Satellite capacity problems should begin to dlsappear wben a second Astra satellite, scheduled to be launched next October, goes up.

BBC coverage will include Westminster Live, providing live coverage of the first 50 minutes of Commons proceedings on Tuesdays and Thursdays, including Prime Minister's Question Time. Important parliamentary debates will also be covered.

The main thrust of ITV coverage will come from Independent Television News, although the pictures from the Commons of local MPs will be used to boost regional political magazine and news programmes.

ITV is also likely to carry great national debates live.

Mr Michael Grade, the chief executive of Channel 4, has caused controversy by deciding not to hroadcast regular live coverage of parliament in an apparent protest over the restrictions on wbat the cameras will be able to sbow.

Channel 4's coverage will, bowever, include Tbe Parliament Programme which will go out at midday from Tuesday to Friday and will mainly provide coverage of the previous day'a debates.

Footsie rules altered in first major review

By Clare Pearson

COMPANIES that do not pay dividends, such as Eurotunnel, will be allowed to join the FT-SE 100 Index as a result of changes in the ground rules for entry announced yesterday.

The changes result from the first major review of the criteria for entry to be carried out by the ateering committee in six years.

The Stock Exchange said yesterday the review was aimed at hringing the FT-SE 100 Index more closely into line with the wider FT-A All-Share Index

Eurotunnel will now qualify for inclusion, provided its market capitalisation is hig enough when the composition of the Index comes up for review next month.

At its current market capitalisation of about £1.6hn, it would be expected to qualify for entry under this quarterly process.

The steering committee has also decided to lift the size qualification for immediate, automatic entry, from 1 per cent to 1.5 per cent of the market value of the entire Index. This currently equates to a value of about £4.5bn.

The required proportion nf shares in a company that are freely traded bas also been lifted from 20 to 25 per cent. This is in line with listing requirements for the main market.

UK NEWS

London's airports 'need better links to compete'

By Paul Betts, Aerospace Correspondent

LONDON risks ceding its dominant position as the world's largest international airline hub to cities such as Paris or Amsterdam unless it develops an integrated infrastructure embracing all the capital's main airports, air industry officials warn.

The capital is served by Heathrow and Gatwick airports, to the west and south, and by Stansted to the north east.

Among leading European airports, Paris – Charles de Gaulle airport is seeking to challenge Heathrow to become Europe's main international gateway. A study on European airport congestion commissioned by the International Air Transport Association (IATA), shows that Paris-Charles de Gaulle is particularly well-placed to siphon traffic from Heathrow and other congested European hubs like Frankfurt.

Mr Norman Jackson, IATA's senior technical director, also warned at a recent conference on airport capacity in Amsterdam that some European regions could face economic stagnation through failure to invest sufficiently in expanding airport capacity.

The Stanford Research Institute, IATA's consultants, have drawn up a list of European airports in urgent need of investment by 1995. Without capacity improvements, 11 airports, including Heathrow and Gatwick, will fail to meet demand in the next decade. In turn, airports like Paris or Amsterdam with available capacity could pick up a growing share of business.

Paris – Charles de Gaulle is strongly placed to handle unconstrained traffic growth to 2010, the Stanford Research Institute study says. By contrast, airports such as Heathrow and Gatwick or Frankfurt and Madrid are bursting at the seams and appear to have little prospect for significant expansion.

Since London cannot aspire to develop a single "mega-airport" like Paris-Charles de Gaulle, it needs to integrate more fully its infrastructure around Heathrow, Gatwick and Stansted, Mr Mike King, managing director of BAA, formerly British airports authority, argued at a recent London seminar organised by the Chartered Institute of Transport. Improved connections between this trio of airports was urgently needed.

"The ultimate objective is the creation of the world's best integrated airport infrastructure," he said, acknowledging that "the price we pay may have to be measured in countryside lost, even some homes demolished."

He said there was particular for the proposed new rail-link from central London to Heathrow. He warned that without it it might be possible in a few years to take a train directly from London to Paris – Charles de Gaulle, but not to Heathrow.

The Civil Aviation Authority, the UK regulatory body, and BAA agree on the priorities to tackle air traffic congestion in the London area. Top of the list is to improve air traffic control, followed by new terminal capacity, and finally new runway capacity by the year 2000.

The CAA is to make its recommendations to Mr Cecil Parkinson, the Transport secretary, on this controversial issue next July.

Parents cite 'poor' state schools in going private

By David Thomas, Education Correspondent

ABOUT four children out of 10 entering independent schools are "first-time buyers," in that neither of their parents have been educated privately, a new survey shows.

The survey, carried out by Mori, the polling organisation, for the Independent Schools Information Service, was of 1,135 parents of first-year pupils at 67 junior and senior private schools. It is the most extensive of its kind.

About one in five of surveyed parents gave unsatisfactory state schools as a reason for choosing the independent sector, confirming anecdotal evidence of widespread dissatisfaction with the state sector.

The relatively high proportion of first-time buyers – neither parent of 41 per cent of children in the survey had been educated privately – also helps to explain the independent sector's growing share of the educational market during the 1980s.

The occupations of parents choosing private education are still heavily weighted towards the professional and middle classes.

Some 58 per cent of parents were in the highest (AB) professional classes (compared with 17 per cent among the total population), while only 7 per cent of parents came from the manual working classes (compared with about 50 per cent nationally).

Parental income told a somewhat different story. A fifth of families in the survey had an annual gross income of less than £20,000, while 43 per cent had an annual gross income of less than £30,000.

Only 57 per cent of the respondents relied entirely on their incomes to pay school fees, with the rest also drawing on a mixture of sources such as family trust funds, loans, scholarships and the Government's Assisted Places Scheme.

Asked to name the most important factors in selecting a school, most parents chose good discipline (86 per cent), exam results (79 per cent), good attitudes to work (77 per cent) and school reputation (77 per cent).

In Brief

North Sea oil capital spending to hit £3.7bn

Britain's capital spending on the North Sea oil industry is expected to reach £3.7bn next year, an increase of 42 per cent compared to this year's estimated spending of £2.6bn, according to Government figures.

The figures are based on forecasts prepared by the National Economic Development Office, which expects spending at the 1990 level to be roughly maintained for a number of years.

Brussels aid meeting

European Commission officials are to hold talks in Brussels this morning with UK Government officials in an attempt to break the deadlock over aid to Britain's areas of industrial decline.

Car plate auction

The rarest car number plates in Britain will go under the hammer at Christie's, the auctioneers and valuers, and others will be sold through individual car dealers in a scheme that will bring the Government about £15m a year.

Future mapped out

Knowledge of environmental issues and of the location of towns and countries should have a key role in the teaching of geography under the UK's new national curriculum, according to an official interim report.

Green manifesto

A programme designed to win "the last great battle - the battle for the earth" – was put forward by the Green Party on the eve of the opening of the new session of parliament which included a proposal to reduce energy consumption by 50 per cent by 2025.

Howden expands

Howden group, Glasgow-based engineering company among the suppliers of tunnel-boring machinery for the Channel tunnel, is spending £7m on expanding and refurbishing its manufacturing plants.

MANAGEMENT: The Growing Business

Tony Woolf spends one day a week nurturing his latest investment, a small supplier of recycled paper called Paper-Tec (UK). For Woolf, a former deputy managing director of Combined English Stores, which had sales of £100m when he left in 1982, Paper-Tec, with projected sales this year of £120,000, represents quite a change of scale.

Yet Woolf, who describes himself as "semi-retired," gets a kick from helping Paper-Tec solve its problems while at the same time protecting his £50,000 investment in the company. For Dennis Foster and his wife Maggie, who set up Paper-Tec two years ago, Woolf provides invaluable advice on some of the mundane but crucial financial issues which would otherwise be pushed "to the back of the pile."

Paper-Tec offers a paper management service which it believes is unique. It supplies customers with recycled paper and also shreds their confidential documents. Customers like the idea that their paper management is environmentally sound, says Dennis Foster.

Woolf is one of a growing number of private individuals to invest their time and money in a small business. In the US "business angels" – as these private investors are known – are believed to provide more funds for small business than

Business angels

An investment of time and money

Charles Batchelor reports on the outcome of contacts made nearly a year ago

the entire formal venture capital industry.

Dennis Foster attempted to raise venture capital but was told that his business was too small and that the amount he wanted was insufficient to make it worth the venture capitalists' while. Even if venture capitalists are willing to invest, private investors can appear less of a threat to small business than formal sources of finance; they take a longer term view of their investments; and they do not charge fees for providing funds.

Woolf and the Fosters got together after meeting last January* through the Local Investment Networking Company (Linc), a business introduction service run by enterprise agencies around the country. Dennis Foster made a 20-minute presentation on Paper-Tec to a group of about 30 would-be "angels" at the London Enterprise Agency.

Paper-Tec was the only one of the six businesses which made presentations at that session to win backing from a private investor. All the others held further discussions with some of the investors present but none led to a deal being done. Of the businesses which failed to raise finance one has since been taken over; one (which was only at the planning stage) has shelved start-up plans; while two have gone ahead at a slower pace than originally planned.

The January meeting at which Paper-Tec raised funds was less successful than usual, says David Wood, Linc's general manager. On average he expects two of the six businesses to find a backer. Since its launch in 1987 Linc has raised £2.84m for 48 small firms around the country.

Dennis Foster says he had talks with nine possible investors after the meeting but some turned out to be intermediaries for other investors while others wanted to take over the business. Of the two private individuals who were acceptable, one lived too far away to be able to visit Paper-Tec's Bow, east London, factory regularly.

Woolf, who lives in Woking, Surrey, fitted Foster's bill and after about six weeks' discussions he paid £50,000 for a 26 per cent stake and took a seat on the board. The Fosters hold 51 per cent while an old business friend who had backed the business from the start has 23 per cent.

Woolf visits the factory two or three times a month, is in frequent contact on the phone and has visited exhibitions with Foster. "His main role is in making a financial assessment of our performance," says Foster. It was Woolf who pointed out that holding stock involved hidden costs in terms of interest charges which Foster admits he would have overlooked. He also keeps a close eye on how Paper-Tec spends its money.

"The bank manager waits until you have gone into the red and the damage has been done," says Foster. "You can ask an accountant but his charges would be enormous. You can't put a value on the advice that Tony has given us."

Not that bringing an outsider into a family business is always free of frictions. "Maggie and I dreamed up this concept at home over several months," comments Foster. "It's not easy to have someone come in and say you are not doing it right. You have to accept that it is not a personal criticism."

Woolf, who has backed other small companies in the past, clearly relishes his continued part-time involvement in business affairs and the challenge of helping Paper-Tec expand. He backed the company, he says, because he thought the idea was a good one; he got on well with the Fosters; and the funds they were seeking were in line with the amount he wanted to invest.

Finding a "business angel" has not solved all of Paper-Tec's problems but it has provided a cushion against the pressures which have buffeted unsuccessful participants in the January presentation.

PST Systems, a Peterborough, Cambridgeshire-based supplier of microcomputers, had hoped to raise £70,000 but was approached by only two possible investors. One seemed to want to invest for a quick profit while the other was only

Alan Harper

Dennis and Maggie Foster: invaluable advice from their "angel" on mundane but crucial financial issues

interested in investing at a later stage. "Perhaps we weren't flashy enough," says Peter Tantam, managing director. "We are a long-term business in a competitive market."

PST, which was only eight months old at the time, ran into cash pressures because a couple of investment projects "went in the wrong direction" and sold out to one of its customers, Cashwise International. Cashwise, a Leeds-based manufacturer of electronic cash tills, took 51 per cent of PST's equity in return for an equity injection, a loan and support in persuading PST's bank manager to raise its overdraft limit.

Curatif, a plan for a chain of natural cosmetics shops, also failed to win backing and the proposed management team has since found other jobs. Alnm Bati, the chairman, blames the failure on the newness of the idea and the depressed state of the retail market though one potential investor was sceptical about the business's costings.

Two of the other businesses have simply grown at a slower rate. Triumph Communications, which was developing an induction loop system for the hard of hearing, acquired a new managing director who brought in £15,000 of his own money. Autopod, developing a system for garaging cars underground in hydraulically operated "pods," has taken longer to develop a production prototype than it expected.

Alone among the unsuccessful fund-raisers, the two-man Autopod team believes its failure may work to its advantage. Autopod had hoped to raise £75,000 but has such high expectations of potential demand that it now plans a £500,000 Business Expansion Scheme issue, according to Mike Saccaggi, the originator of the idea.

Knickerline, a lingerie mail order service and the sixth of the companies to try to raise money, could not be contacted for the purpose of this article.

With the venture capital industry in the UK unwilling to provide small amounts of capital and loan finance becoming increasingly expensive there is clearly a role for the "business angel".

Contact Linc at London Enterprise Agency, 4 Snow Hill, London EC1A 2BS (Tel 01-236 3000) or through local enterprise agencies.

* *See this page January 24 1989.*

Last year PB Williams, an office equipment distributor in North Carolina, with a turnover of $26m, declared a profit of $1m and projected a profit of $2.2m for 1988.

Early this year the company's chairman, Tex Williams, fired his internal accountant for not maintaining proper controls. Subsequently, a thorough investigation of company accounts revealed that PB Williams had actually made a loss of $1.2m in 1987.

Williams does not suspect any fraud, simply carelessness on the part of his accountant. What he is angry about is the fact that the company's external auditors, Ernst & Whinney, did not pick it up.

When his new accountant approached Ernst, it said that a company of the complexity of PB Williams needed a thorough independent audit and offered to do it for four times the fee at the time. Robert Hudson, the Ernst auditor, says: "In hindsight it seems that they needed much more individual attention."

Bob Kelley Jr, chief executive officer of the Southern California Technology Network, a non-profit association of small high technology companies, estimates that 60

US accountants ambivalent about smaller companies

Pratap Chatterjee explains that the cost of individual attention can be just too high

per cent of his members have a first-tier accountancy firm (or what used to be called the Big Eight before the merger wave) as either auditor or business adviser. The number is declining after it peaked at about 65 per cent two years ago.

"Five years ago the Big Eight were chomping at the bit, snapping up any emerging business client they could get. In the past two years three of them have told me that they are only interested in fast growth companies," says Kelley.

The first tier accountancy firms audit almost 99 per cent of the Fortune 500, the US's biggest companies. With little potential for further expansion in that market they started at the beginning of the decade to try and win growing businesses from their traditional advisers – the medium and small sized accountancy firms.

In their original drive to get new clients, many first tier firms gave away millions of dollars of free advice in the hope of garnering a slice of the profits when these start-up businesses made it big. Not all the start-up companies they backed made it and today the first tier firms are no longer as eager as they were in the past.

Victor Coppola, partner in charge of Coopers & Lybrand's emerging business services group, says: "We do give away free consultancy to fast growing companies but we don't cast bread on the water."

Cooper's targets are companies in the up to $100m revenue range. Kelley estimates that unless the company is growing by at least 35 per cent a year they will not take it on. Others say their goal is now to take on companies which can be charged annual fees of $200,000 to $300,000 within three years.

Burt Alimansky, chairman of the New York Venture Group, a venture capital network, sums up his reservations: "Some years ago there was a fad among the Big Eight to get small and innocent companies and capture their hearts and minds.

"But they soon discovered that small companies needed expensive individual attention. Like any other business they're short-sighted and will grubstake clients only for so long. After all, the Big Eight are mainline businesses working for large scale corporate America."

Second tier firms, on the other hand, say they are closer to their clients than the first tier firms because their staff-to-partner ratio is close to six compared with nearly twice as much for the first tier firms. Many of their clients are family-owned businesses which feel more comfortable working directly with a partner. For example, Tex Williams is satisfied so far with his new accountants, the second tier firm of Pannell Kerr Forster.

Laventhol & Horwath pushed the dagger home three months ago, after the wave of mergers among the Big Eight, with a $500,000 six-week advertisement campaign that asks if "other" accountancy firms are "as interested in growing your business as they are in their own."

Today, the first tier firms and small companies are not walking down the aisle within days of meeting each other. At the same time, according to Alimansky, small companies are not looking for a first tier auditor but are happy so long as they get individual attention. So the first tier firms have to go out looking for fast growth companies.

Despite the fact that the first tier accountancy firms rank among the largest management consultancies in the world, the first tier firms collectively account for only $4bn of the $50bn computer consultancy market.

In order to increase their visibility in these areas some of the first tier firms sponsor what are popularly known as "beauty contests," essentially parades of small fast growth companies. Both the accountancy firm and the small city surrounding the event. For example, Peat Marwick gives out a "high tech entrepreneur of the year" prize in several US cities every year and Arthur Young will sponsor 35 regional "entrepreneur of the year" awards next year.

Some are simply name recognition exercises like the Arthur Andersen list of the largest 100 privately-held businesses in four Ohio cities or the Coopers' co-sponsorship of the Inc magazine list of the 500 fastest growing private US companies.

Other awards include free consulting, like Peat's Carolinas Initiativa which this year gave away $500,000 in management and strategic advice to 50 companies.

When they are convinced that the prospective client has promise the first tier firms are willing to bend over pretty far to sell their services. One Arthur Young regional "entrepreneur of the year" winner was Barry Potekin of the Gold Coast Dogs, a Chicago restaurant chain.

Three Big Eight firms (apart from Arthur Young) promptly offered him a variety of services. One promised to help him franchise his chain, another offered to help him set up a limited partnership and yet another promised to solicit investment into the company. Potekin suddenly discovered he "needed" much more from his accountants and soon signed up with Arthur Young.

The first tier firms also guaranteed to match smaller firm billing rates of $50 to $60 an hour. For instance Potekin only pays Arthur Young $1,000 a month, less than a third of what a bigger company would have to pay.

And the first tier firms contend that if a firm needs inter-state or international capital, risk or tax advice or wants to go public they could well be cheaper in the long run because of the expertise and resources that they have at their fingertips. For example, Coppola claims that he often saves clients 15 per cent on their tax bills.

For those growth companies that are not yet sure whether they need a first tier auditor, Joseph Mancuso, president of the Centre for Entrepreneurial Management in New York, has this advice: "I tell companies to take a combination of accountants, a Big Eight firm for their image and a smaller firm for the real work. Don't underestimate what the Big Eight name tag means. For a company that eventually wants to go public it can make a big difference."

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TECHNOLOGY

Peter Marsh reports on a waste incinerator that destroys hazardous chemicals

New recipe for roasted toxics

A new design of toxic-waste incinerator being studied in Canada could ease the problems of many countries trying to deal with a special type of hazardous chemical waste.

The system, under evaluation by the Alberta Government, could be built in the mid to late 1990s. It would be geared to roasting at high temperatures large pieces of metal contaminated with traces of toxic chemicals such as polychlorinated biphenyls (PCBs).

The new incinerator, which engineers involved with the Alberta Government say they hope to patent, would incorporate novel safety and operational features which might make it easier to deal with such waste.

The problem of PCB-contaminated metal especially concerns companies and governments wrestling with how to dispose of large transformers and capacitors which have been filled with PCBs as an electrical fluid.

This difficulty has surfaced during the past decade, as scientists have discovered more about the safety risks associated with PCBs. Until their manufacture came almost to an end in the 1970s, PCBs were routinely used in filling electrical equipment because of their good insulation qualities and their lack of inflammability.

The task of safely taking out of operation hundreds of thousands of transformers and capacitors and dealing with their contents has exercised scientists and engineers around the world. Few believe they have anywhere near a perfect solution.

In most developed countries, the preferred route has been to drain from the equipment the PCB oils and burn them at about 1,000 deg C in conventional chemical-waste incinerators.

Such systems, which are also used to destroy many other types of hazardous chemical waste comprising both solids and liquids, degrade the PCBs into innocuous by-products. They are based on large cylinders which rotate slowly while the wastes are burned.

This method, however, still leaves the problem of how to deal with the metal casings which are left after the PCBs have been emptied. These casings are often large and unwieldy, of several metres in dimensions. However carefully the PCBs are drained, the metal still remains contaminated with tiny concentrations of the chemicals which could be dangerous.

The problems are magnified by the fact that PCBs break down slowly in the environment, though research is under way to accelerate the natural process of biogradation (see story below). Hence any of the material not destroyed may remain a health risk for decades.

There are a number of ways of dealing with the residual waste of the transformer casings:

● In the US, the left-over pieces of metal are largely put into special landfill sites regulated by the Government's Environmental Protection Agency. These sites contain safety features such as linings to minimise the possibilities of PCBs finding their way into water supplies. But some critics are none the less uneasy about the method from a safety viewpoint.

● In West Germany and Denmark, the casings are often shipped for underground storage in deep mines. One such storage site is operated in Germany by Kali and Salz, a subsidiary of BASF – a big German chemicals company. Again the method is not totally satisfactory because of the potential problem of water contamination.

● In other countries including France the transformer casings are sometimes cut up into small pieces which can be fed into orthodox incinerators. Another related method is to use "vapour degreasing" – the direction of high-pressure solvents on to the cut-up pieces of metal to dissolve the PCBs. Yet there are problems with both techniques, because of a fear of workers in charge of this job suffering ill effects due to PCB exposure.

● One of the few incinerators in the world capable of roasting large transformer casings to remove PCB traces is run by Rechem, a UK waste-disposal company, in Pontypool, South Wales. This is a large, stationary kiln with big openings to take the metal. It runs in accordance with UK Government regulations. Officials at the UK Environment Department say the system, which was built in the mid 1970s, is unusual but safe. Local residents, however, have criticised Rechem because they believe that the incinerator is a potential source of PCB pollution. In the 1980s, Rechem has plans to replace its existing incinerator with possibly two new models.

The new incinerator in Alberta would be at a site at Swan Hills, near Edmonton, which already has two chemical-waste incinerators of orthodox design. The facility is run as a joint venture between the Canadian Government and Bovar, an energy and environmental-services company.

Under plans being sketched out by the Alberta Government and Chem-Security, a Bovar subsidiary which operates the incinerator site, a new incinerator could be built within the next 18 months expressly for dealing with disused transformer casings.

Alberta is keen to find a long-term disposal route for these casings. It has 2,000 in storage awaiting a decision on what to do with them. The Alberta Government does not favour landfill methods because of the possible safety risks. It does not know of any other incinerator, apart from the one in Pontypool, which can roast transformers whole.

Government engineers in Alberta are not talking about the details of the new incinerator scheme because of the plan to patent the design. But it is thought the project would involve a number of safety features such as air locks and double doors to deal with the potential problem of PCB materials coming out of the system as waste is put in.

Also there would have to be special scrubbing systems to remove any toxic materials in the gaseous output from the equipment. The system might involve a degree of automation in shifting large casings into the oven without human contact. Also the roasted casings, their PCBs removed, would have to be taken out of the ovens with as little human handling as possible to be disposed of, probably as scrap.

Assuming the incinerator is built, the first priority would be for it to dispose of the transformer casings in storage in Alberta. After this it could be used to deal with similar wastes from neighbouring Canadian provinces – although so far the Swan Hills site has been used only to dispose of chemical residues from Alberta. If the design is successful it could be licensed to other operators in other countries.

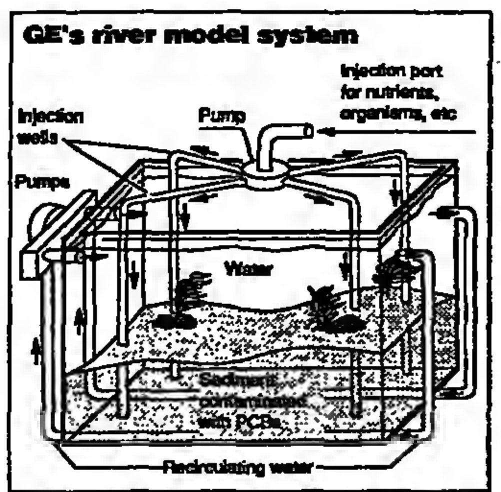
A SYSTEM for speeding up the slow natural biodegradation of PCBs is to be tested in polluted rivers in the US. It is the result of a research programme carried out by General Electric of the US (GE) as a penance for disposing of PCBs into the environment before their toxic nature was recognised in the 1970s.

"At the time the $15m research effort was launched, common wisdom held that PCBs were indestructible and promised to be with us for centuries," says Stephen Hamilton, GE environmental technology manager. "Now we know that natural bacteria in the river beds are 'feeding' on PCBs and that we can accelerate the rate at which it happens – eliminating them from the environment, not just moving them someplace else if they were dredged."

PCBs are broken down in nature by the combined action of aerobic bacteria (which require oxygen to survive) and anaerobic bacteria (which live in sediments at the bottom of lakes and rivers where there is little or no oxygen).

The anaerobes first remove chlorine atoms from the PCB molecules. They are then destroyed by aerobic bacteria when the molecules are washed out of the sediments and into the higher levels of water where oxygen is present.

The GE system is designed to accelerate this natural two-step process by pumping a solution of nutrients (nitrates, phosphates and minerals) into the sediments contaminated with PCBs. Laboratory tests have shown that this process can cut the natural degradation time for the most heavily chlorinated PCBs by half. The next step will be to run large-scale river models in tanks at the University of Michigan and the GE R&D Centre in Schenectady, New York.

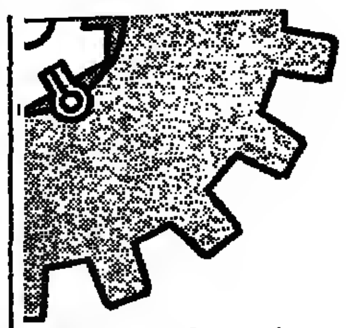


GE plans then to carry out field trials in rivers polluted with PCBs from its factories – in the Housatonic River, Massachusetts, next year and the Hudson River, New York, in 1991-2.

At the same time, GE scientists are investigating the use of genetic engineering to create new strains of bacteria that would break down PCBs more quickly than the natural ones.

They have already identified the genes responsible in the aerobic bacteria (from the *Pseudomonas* family) though the anaerobic process remains a mystery. But there are no plans yet for carrying out field trials with genetically engineered PCB-eaters

Clive Cookson



WORTH WATCHING

Edited by Della Bradshaw

Mussels join the pollution battle

THE humble mussel is relinquishing its role on the dinner plates of Europe and returning to the waves in order to measure the degree of pollution in the North Sea and the Waddenzee, to the Netherlands.

The Netherlands Organisation for Applied Scientific Research (TNO) has been commissioned by the Dutch Government to use mussels as a measuring network in determining the level of toxins in the water.

TNO is using 1,500 mussels suspended in baskets at 15 different locations along the Dutch coast. The 100 mussels at each location will collectively pump about 200,000 litres of seawater through their gills during the six weeks they are there, in order to strain out the algae on which they feed. At the same time they filter out the pollutants.

The amount of toxins in the mussel tissue can then be analysed to ascertain the degree to which marine life is subject to pollution.

Oil goes for a second spin

OIL makes the wheels of industry go round. But used once and it often has to be thrown away.

To help recycle used oils – from lubricants to diesel grades – Clear Oil Filtration of London has developed an industrial filter unit which can extend the useful life of the oil by five times.

The mobile unit is attached to the piece of machinery and the oil removed by suction. It then passes through the filter unit, which resembles a toilet roll, with layers of cellulose fibre wrapped round a central core. The oil is sucked into the centre of the unit and then filtered back through the layers of paper, which remove the carbon or other particles clogging the oil.

The manufacturers also believe the unit could be used in motor vehicles to prevent drivers having to change the oil so frequently.

Computers learn to work together

THE problem for multinational organisations with a host of large computer systems is trying to make those computers work together as if they were in the same room.

To eliminate the time lags and compatibility problems which dog many companies using international computer networks, the Concurrent Computer Corporation, of Boston, is developing a new kind of computer operating system. It will allow distributed computer systems to work together in "real time".

The aim of the Alpha project, as it is called, is to develop an operating system which sits on top of existing or future computer resources and allows them to be managed from one central point.

Ideal for use in defence applications, The US Department of Defence has already invested $10m (£6m) in the Alpha project.

The operating system will be licensed free of charge to both military and commercial users and manufacturers of equipment. Concurrent believes it will find applications in banking and government as well as defence.

Big spenders in engineering

BRITISH engineering companies are investing heavily in computer systems in a bid to remain competitive.

In 1988 the sector spent £501m on computer hardware alone, and that is expected to increase to at least £514m in 1990.

The biggest area of growth is in microcomputers and workstations, according to a survey in Engineering Computers magazine carried out in conjunction with Benchmark Research, the high technology research company.

Computers in UK manufacturing

IBM	26%
DEC	23%
HP	7%
Prime	7%
ICL	6%
Unisys	4%
Data General	3%
Others	24%

The personal computer population in UK engineering companies grew by 50 per cent in 1989 — 50,000 PCs are now in use. And the workstation population grew by 70 per cent.

In total there are 95,000 computers in use in the engineering sector today — compared to only 1,000 in 1983. Computer hardware manufacturers will not be the only ones to benefit from investment by the engineering sector. The survey predicts that UK companies will spend £288m on software, £189m on peripherals and $89m on consultancy and training in the forthcoming year.

Soviet inventions go to market

ENCOURAGED by perestroika, the Soviet Inventive Machine Laboratory is trying to break into the world's commercial markets, writes Andrew Wiseman.

Moscow News, the liberal weekly, carries an advertisement in which the Belorussian laboratory offers an "inventive machine — a new generation of intelligent systems able to solve difficult inventive problems."

It claims that its knowledge base has analysed "1,500,000 descriptions of the world's patent fund" and that it will enable customers to "obtain a range of new patentable ideas in the field of engineering," by providing "several times more intellect than anybody in the world."

Even allowing for hyperbole and somewhat eccentric English, the laboratory's assertion that its "Niagara Falls of man-machine intellect will shatter any inventive problem" and help to "increase output and lower manufacturing costs" might be difficult to resist.

Apart from offering "consultations" the laboratory is interested in launching an "R&D centre on inventive machines" through an unspecified form of co-operation.

Contacts: TNO: Netherlands, 31 70 49 65 00. Clear Oil: London, 589 4439. Concurrent: US, 508 392 2999. Engineering Computers: UK: 0322 77755. Inventive Machine: Soviet Union, 8 0172.

FT LAW REPORTS

Buyers win short delivery claim

THE FILIATRA LEGACY

Queen's Bench Division (Commercial Court): Mr Justice Leggatt: November 10 1989

PROPERTY IN cargo sold under a c.i.f. contract, entitling the buyer to sue for short delivery, passes when the parties intend that the price should be secured, not necessarily on contracting, payment, or discharge; and where payment is deferred on the security of standby letter of credit to be used by the seller on his issue of a letter of indemnity, property passes either on shipment, when in practice the price is secured, or on issue of the letter of indemnity.

Mr Justice Leggatt so held when giving judgment for the plaintiff buyers of cargo, Anonima Petroli Italiana SpA (API), on a preliminary issue as to whether they had title to claim for short delivery in their action against owners of the Filiatra Legacy, Malucidez Armoradora SA.

HIS LORDSHIP said that API owned an oil refinery at Falconara in Italy. It bought oil 104,623 tonnes of Iraq crude oil from Neste Oy of Finland.

The oil was shipped at Ceyhan in Turkey aboard the Filiatra Legacy, owned by Malucidez, a Greek corporation.

API's claim, for $946,230, was made in respect of alleged short-landing of 4,502 tonnes.

The shipowners took a preliminary point on API's title to sue.

API's substantive claim was founded on the assertion that the vessel retained the missing oil on board after discharge at Falconara.

Though the quantity missing was considerable and investigation had been intensive, there was no direct evidence that it was retained on board.

The oil was sold under a c.i.f. contract. It provided that Neste was to instruct the ship's master to deliver to API without presentation of bills of lading.

Payment was to be in US dollars within 30 days from bill of lading date, provided that commercial invoice and shipping documents had reached API in good order, "such payment to be supported by stand-by letter of credit issued within November 21 1983."

The agreed wording of the letter of credit stipulated that it could be used by Neste if API failed to pay within 30 days from bill of lading date. Alternative provision was made for letter of indemnity from Neste.

Before the standby letter of credit could be used by Neste, a statement from API was required, that it had received an original insurance policy.

On November 18 the standby letter of credit was issued under the contract, conditional on receipt of shipping documents and API's receipt for the insurance policy. On November 21 API received from Neste an original insurance policy. Loading at Ceyhan was completed November 25, and the passage to Falconara began.

Neste's invoice to API of November 29 required payment within 30 days of bill of lading date, ie by December 23.

By letter of indemnity dated November 29, Neste authorised the shipowners to discharge to API without production of bills of lading. The letter of indemnity was received by API on December 13.

The vessel arrived at Falconara on December 30. Discharge was commenced and interrupted, the final period of discharge being December 19, 1120-1130. There was simultaneous cargo discharge and ballasting of cargo space. Ballasting was completed at 0610.

On December 19 the vessel was inspected by surveyors, and then sailed for Augusta. Shortage was later discovered on reconciliation of shore tank figures. On December 21 API notified the shipowners of the shortage. It paid Neste in full.

The claim was advanced in tort or in bailment. The tort relied on was negligence or conversion.

It was common ground that when the vessel arrived at Falconara all the cargo was on board. There was no evidence that it was not then in the legitimate cargo holds.

If during ballasting oil was diverted to other holds, conversion would have occurred not later than completion of ballasting at 0610 on December 19.

If the oil was retained on board, deliberately or negligently, the time at which discharge was purportedly concluded might also represent a time at which a tortious act was committed.

The goods were ascertained on loading. The act of loading constituted an unconditional appropriation unless Neste exercised its right under section 19(1) of the Sale of Goods Act 1979, to reserve right of disposal until certain conditions were fulfilled.

Neste did reserve right of disposal, because the bill of lading was to seller's order. The passing of property was thereby deferred (see section 19(2)).

The terms on which the property was to be retained was a matter of inference from what the parties said or did at the time.

The condition on which right of disposal was reserved was the securing of the price against which, under the c.i.f. contract, the shipping documents were negotiated.

API correctly argued that in practice the price was secured by shipment. It was within Neste's sole control to avoid the need for receipt of bills of lading by issuing a letter of indemnity, together with invoice.

The shipowners contended that the letter of credit was not operative until the letter of indemnity and the insurance policy had been presented to the bank. Until then, it was said, the letter of credit did not provide adequate security.

Benjamin's Sale of Goods 3d ed para 1686 correctly stated that where specific goods were sold under a c.i.f. contract, property might pass as soon as the contract was made. But usually that would be negatived by the seller's intention to retain a right of disposal "until the price has been paid or he has adequate assurance that it will be paid."

A standby letter of credit conforming to contractual requirements had been issued by the bank. That was the very security for which the contract stipulated.

Since the determining factor for the passing of property was the securing of the price, actual discharge was immaterial, except as evidence that the parties must have intended that property should pass before that time.

Property in the cargo passed to API on shipment or, if not, by date of issue of the letter of indemnity.

With regard to burden of proof, API contended that if shore figures pointed clearly to short delivery and there was no evidence of diversion after discharge or air in the pipelines, it was for the shipowners to counter the evidence or establish to a high degree of probability that short delivery was impossible.

In *The George [1989] 1 Lloyd's Rep 369, 376*, where shore figures pointed "inexorably" to short delivery, The Master of the Rolls said that in the absence of shipowners' evidence to the contrary "their only remaining defence was to establish beyond all reasonable doubt that short delivery was impossible."

In the present case, where there was no inexorable proof either way, it was common ground that the standard of proof to be applied was that adopted by the Court of Appeal in *Hornal [1957] 1 QB 247*.

There it was held that the standard of proof depended on the nature of the issue. The more serious the allegation the higher the degree of probability required. But it need not reach the very high standard required by criminal law.

What was required was "a degree of probability which is commensurate with the occasion . . . proportionate to the subject-matter."

There was no evidence of diversion after discharge or other explanation for loss of the missing oil ashore. The conclusion was that when the vessel left Falconara the missing oil was intentionally retained aboard the vessel mixed with ballast water.

That conclusion was attended by the high degree of probability such a conclusion demanded.

It would have been open to the shipowners to show with a high degree of probability that crude oil thus retained could not thereafter have been discharged without detection.

That they had failed to do. Although there was no evidence of trans-shipment of the missing oil or its discharge ashore, neither would have been impossible. The court could not exclude the possibility that one or more illicit cargo operations involving the missing oil, whether by transhipment or otherwise, took place between Falconara and Augusta.

Judgment for API for $946,230.

For API: Peregrin Simon (Clyde & Co)
For the shipowners: Bernard Eder (Holman Fenwick & Willan)

Rachel Davies
Barrister

The Yekōj-Nospé Colour Test.®

A psychokinestatic method of defining the creative personality thru empirically observed colour choices.

Doctor Laszlo Yekōj and his associate Nospé were joint winners of the Hungarian Academy of Science's Bagelgoyenne Award in 1985 for their pioneering work in Colour Psychosomakinesia.

Part of the Yekōj – Nospé Personality Test is reproduced below.

Allow no more than 3.45 minutes for the test. When finished, count your colours to discover which one you chose most often.

'Yekōj's Colour Dominance Theory' as it became known, developed from his idiosyncratic habit of observing the world through monochromatic spectacles. This eventually led him to try and mate with red pillar boxes, particularly those bathed in sodium yellow street light.

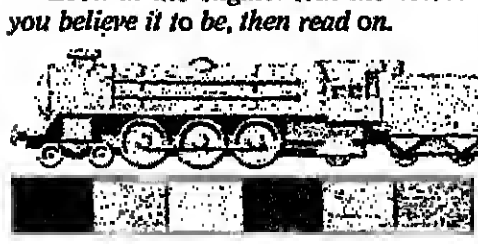
The main scientific accomplishment of his assistant Nospé was to stop him.

To find your dominant colour and hence spectrum personality, start here:

THE YEKŌJ FILTER TEST.

The point behind this particular test is to see whether there's any point in you doing the rest of it.

Look at the engine. Tick the colour you believe it to be, then read on.



The correct answer is of course, yellow.

But for Railway Superintendent Stroudley, the answer was...green.

Stroudley was red-green colour blind – unfortunate in a man whose job included painting the nation's railway engines. Tins of 'Stroudley's Improved Engine Green' (golden yellow) were a good joke at the time. Stroudley couldn't see it...

If you got it as wrong as Stroudley, don't worry, you're in good company.

Milton (like Aristotle) could only see three colours in a rainbow.

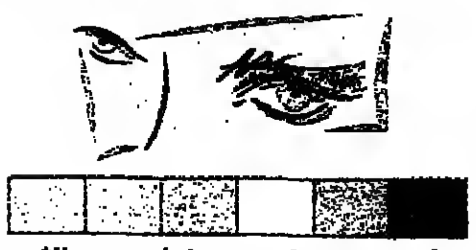
Many famous artists turned problems with colour perception to their advantage. The golden blur of orange-red light in the later works of Turner may have been due to a cataract but prompted this comparison from Mark Twain. 'Like a ginger cat having a fit in a bowl of tomatoes'.

Anyway, it's not just Stroudley who went yellow with age. We all will. An increase of a yellow pigment in the retina gives anyone over middle age an increasingly jaundiced view of the world.

NOSPÉ'S EYE EYE TEST.

A test of observation.

*What colour are your wife/husband/first child/milkman's eyes?**



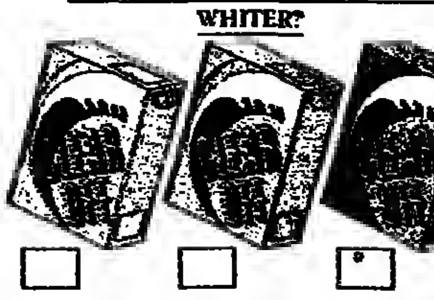
**If none of these apply to you, what colour are your own eyes? (No peeking.)*

WHO'S GOING TO WIN THE NEXT ELECTION?

Cover your left eye and look at the blue rectangle for ten seconds. Then cover the right eye and look at the red rectangle for ten seconds. Tick the colour you feel was the strongest.

(A 'hard' colour like red will dominate a 'soft' colour like blue and persist longer on the eyeball. Luckily for 'She Who Must Be Obeyed', politics is a different ball game altogether...)

WHICH DO YOU THINK WASHES WHITER?



(Remember the 'Blue Whitener' claims? Did you ever wonder why blue should be more white than white? True, blue is perceived by most people to be (antiseptically) clean. But nowhere near as clean as... pink. Look out for the 'Pink Whitener'.)

COLOURFUL LANGUAGE.

The following expressions have been proven to excite positive colour response. Tick one colour you feel most accurately reflects your own response.

a) Jeremy, their son's beloved pet mouse, pricked up his ears at the sound of the lawnmower. It was the last time he pricked up his ears...

b) With strangely bulging eyes, Gerald took a deep breath and pulled the rubber gaiter still tighter.

c) A smile flickered across Ken's lips as he polished his bacon slicer. After 20 years as a butcher, he knew exactly how to treat old age pensioners.

d) George blushed deeply. He'd never let another woman see his bulb collection, let alone a boy scout...

e) "Well... he'll never play with a blender again, will he ma'am?"

f) Florence admitted, 'father was caught in an industrial cheese grater when I was just a baby. It hasn't affected me' she said, and slowly pulled a carrot from her ear.

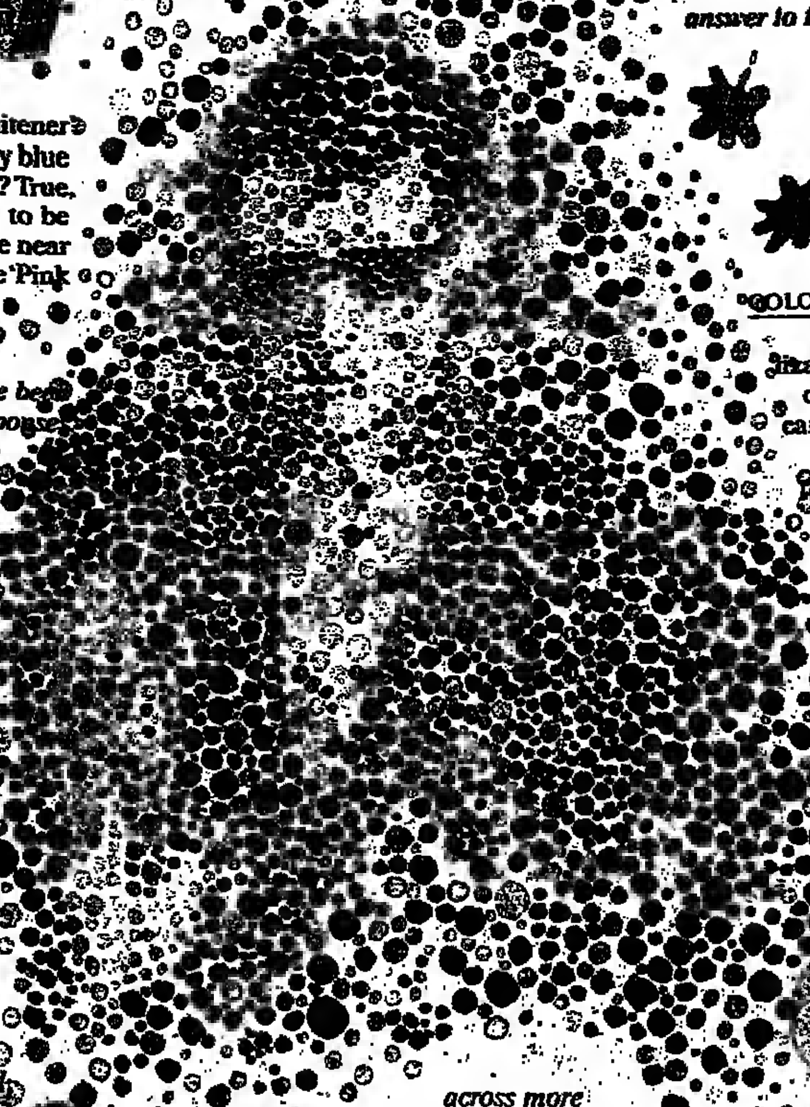
Red | Deep Red | Very Very Red | Yellow | Pink

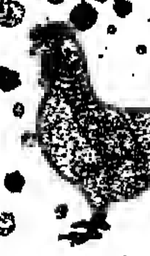
THE DOT CONUNDRUM.

The different coloured dots in 'Flugenheim's Mass' (aka 'Wittgenstein's Confusion' or 'the different coloured dots test') create seven different pictures.

Each individual will find that one picture comes across more strongly than any of the others, revealing a heightened sensitivity to that particular colour.

(N.B. People with small rods may find this particularly testing.)





Young chicks will follow anything blue (except Birmingham City).

THE ANDERSON SUBJECTIVE BLOT.

Yekōj and Nospé invited a down at heel drunk to create these blots.

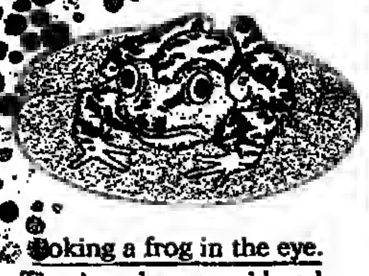
Look at them and choose the one you feel most closely represents a fly hitting a windscreen at 40 miles an hour. (There is no right or wrong answer to this.)

COLOURFUL MYTHS.

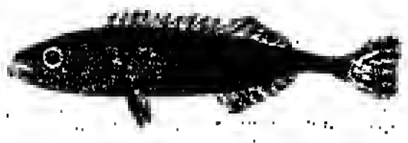
No reptiles (turtles and lizards excepted) can see in colour. Frogs can't. Toads can't. This accounts for the disgusting things they're prepared to eat.

Bulls can't see red but they do seem fatally attracted to men in tight trousers who wave at them.

And the only way to make a bee see red is to punch it on the nose. To a bee, a red flower appears as ultra violet.



Poking a frog in the eye. The Assyrians considered yellow a therapeutic colour and used disembowelled frogs to treat eye diseases.



Tip for fish fanciers – the colour red drives female sticklebacks wild with desire.

THE REAL YOU IN COLOUR.

All colours are given a rating against the International Epson Star ★ Scale.

★★★

Powerful, exciting, masterful (mistressful even) – red people have stimulating, sometimes aggressive, personalities. Hence a favourite colour amongst world leaders (we'll come to Her Graciousness in a moment).

Easily the sexiest colour for very good reasons. During love making the skin is flushed with blood ... when you're sexually aroused you literally see red. That's why your heart beats faster when you see Roy Hattersley against a red flag.

In ancient Egypt, red was associated with the soil's fertility and red-haired people were sacrificed willy-nilly to enhance this. Come to think of it, you don't see many red-headed Egyptians do you...

☆☆☆

Cheerful, fun loving, stimulating, gay (oh, come on now) – orange people are really convivial types.

The safest colour imaginable for a car (blue and green ones have the most accidents), but inexplicably reserved for fire engines which you couldn't fail to see even if they were camouflaged.

Also suggests wholesomeness, home baked bread and ski jackets.

Sunny, dazzling, agreeable and outgoing personality but can also be shallow and treacherous.

Yellow has the highest visibility in the spectrum, is the colour of vomit and induces this effect if used to paint the insides of ships or aircraft.

It is also a therapeutic colour. (Even so, this doesn't really explain the practise, once common in Britain, of using urine as an eye wash. Thank heavens for Optrex...)

EPSON STAR RATING.

★★★ Extrovert, easy going, colourful... Yep. You've probably already got one of Epson's new colour printers – the LQ 860/1060s. O.K. So the name may lack a little sparkle, but the printers... 24 pins of pulsating prismatics – a veritable cornucopia of colour. But that's enough prose.

How about little green apples, real orange juice, old blue eyes, bright red noses, brown bears and streaks (at a zippy 88 characters per second, no less)?

It may be mere detail to a flamboyant type such as yourself, but you can blossom into colour without the need for new software (or evening wear come to that).

And (excuse such dull practicalities) the Epsons are a doddle to use. Single to spreadsheet, font to fout at the touch of a pinkie.

★★ But what if you're not into colour at all? No problem. Superdraft breezes along at 290 cps in stunning black and

★ There are those who only think about one thing. Colour printing costs a fortune, right? Right. Unless it's an Epson (the LQ860: a glorious £769; the LQ1060: a brilliant £959).

Where does this leave those with only half a thingie? In desperate need of an Epson.

[illegible]

Middlesex TW8 8BR. Or call up Prestel

[illegible]

EPSON

For the less fanciful, but still colourful, facts in this ad our thanks to, among others, Patrick Trevor-Roper whose book 'The World Through Blunted Sight' is, well...a revelation.

★★★

Youthful, restful, fresh, harmonious – green people are full of hope, optimism and methane. The colour also has connotations of danger and poison.

Nero is reputed to have watched the lions making a meal of the Christians through an emerald. In theory, he did this to stop himself getting over-excited. In truth, he was just weird...

☆☆

Calm, peaceful, serene – blue people are confident, inspirational, faithful and emotionally controlled. They can also be cold, withdrawn and a bit other worldly.

Blue is the most popular colour amongst adults, followed by red (wouldn't you know) and green.

It's been linked with law and order since Roman times when household prefects wore blue cloaks. Blue has the happy knack of being seen much better than red in poor light – especially when it's flashing in your rear-view mirror.

When not flashing, a blue light calms crying babies, illuminates images of Buddha and is a safeguard against demons (red again, how strange...).

★

Sedate, melancholic, occasionally artistically inclined. A good colour for stranglers.

★

Sad, disturbed, serious – black; this is not a personality, it's a condition. A suicidal combination with red. Snap out of it.

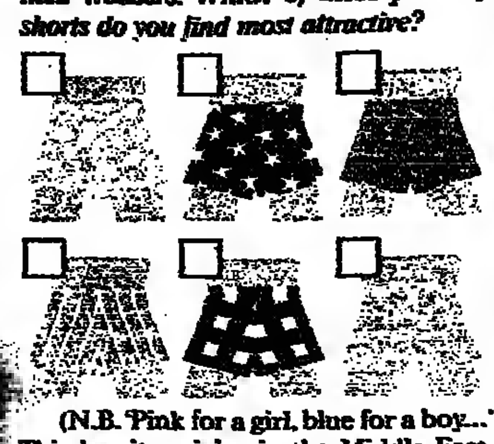
☆

Virginal, pure, unsullied, a lover of freedom – white is a mixture of all light waves and (after day-glo orange) the safest colour for a car – except in Alaska.

White keeps you cool in the heat and is a tropical barnacle's least favourite colour on ships.

NOSPÉ'S OUTRAGEOUS (OR 'PINK') LAW.

Men often hide their personality in their trousers. Which of these pairs of shorts do you find most attractive?



(N.B. 'Pink for a girl, blue for a boy...' This has its origins in the Middle East where baby boys were more valued than baby girls. Blue was the spiritual, heavenly colour reserved for the darling boy and pink, with its fleshy, child bearing associations was put aside for the future baby machines. In fact, the most feminine colour is purple, the most masculine is blue-green. But try telling that to Ferrari...)

YEKŌJ'S OLD 'FLOCK OF TRIANGLES' QUESTION.

Or just how decisive are you? Look hard at the triangles below for ten seconds and use the colour key to indicate which way you think they're pointing.

Up

Down

Left

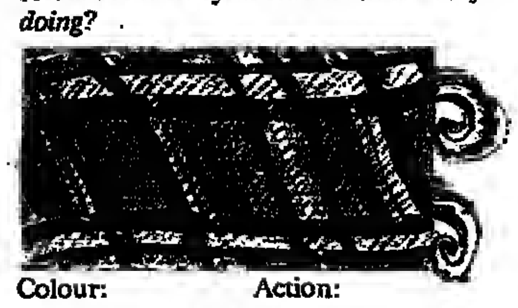
Right

Sort of left

Umm...

WRECKING THE REPTILE.

Look closely at the tartan square. Can you see the two chameleons? What colour are their eyes? And what are they doing?

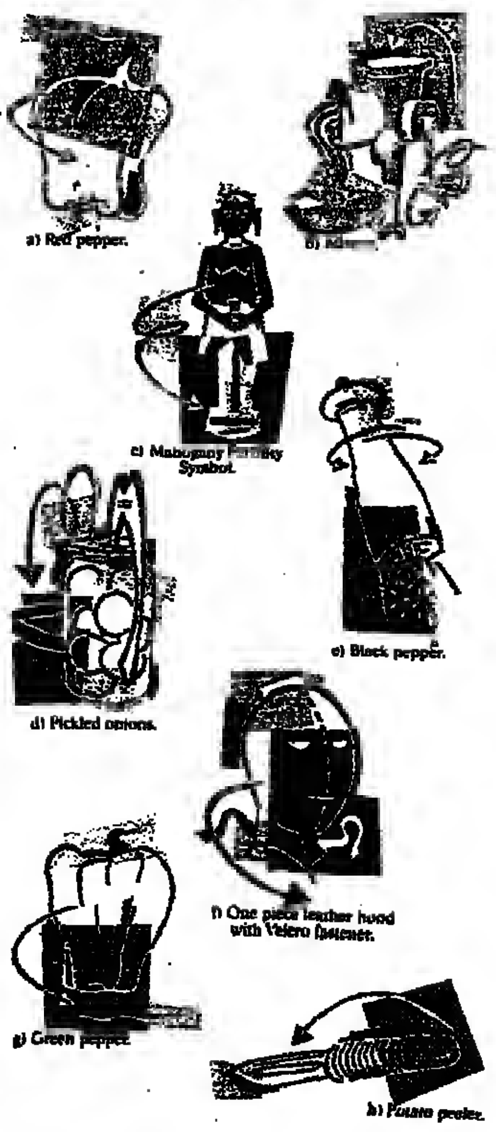


Colour: Action:

(If you have a pet chameleon, you are strongly advised not to acquaint it with this test. Even for nature's greatest mimic, a Stuart tartan produces intolerable strains. Such is their painful confusion, laboratory chameleons have later to be humanely despatched by experts flashing a Dulux colour swatch before their eyes.)

THE EMPIRICAL WOTSIT TEST.

The following household items can all be found in the average kitchen. Placing them in order reveals much about your intellectual priorities (and even more about your mental health).



a) Red pepper.

c) Mahogany Parking Symbol.

d) Pickled onions.

e) Black pepper.

f) One piece leather hood with Velcro fastener.

g) Green pepper.

h) Potato peeler.

Your preferred order. / / / / / / / /

'Pulpit Tree Hill:' watercolour by John Nash

Art for ambassadors

William Packer on the government collection

Today a selection of works on paper from the Government Art Collection goes on show at the Fine Art Society (148 New Bond Street W1: until December 15), a delightful miscellany of choice items by British artists of the 19th and 20th centuries – Riley and Paolozzi, Bawden and Nash, Richmond and Varley.

The Government Art Collection consists of paintings, sculpture, drawings, prints and photographs from all periods of British art and is the only one in public hands to be established not for public, but for particular use. Public offices and ministries at home and embassies abroad cannot be left with their walls entirely bare, and the days are long gone when the connoisseurship and the means of our diplomats could be relied upon to supply the necessity.

The collection was begun somewhat ad hoc, and too late to secure the first division stuff, the Turners and Gainsboroughs, that one might have hoped for. But the point was taken, and whils important works of earlier periods were acquired whenever possible, contemporary works were also bought, on the principle that any future generation would expect to find them.

Here I must declare my sympathies. The collection and its curator, the distinguished art historian Dr Wendy Baron, are served by an advisory committee made up of the directors of the National, the Tate and the National Portrait Galleries and one or two outsiders, of whom, between 1977 and 1984, I was one. And so I came to know just what the collection was and might become, and saw too just how those hopes were blighted.

At first there was money to spend, rising towards the end of the 1970s to some £100,000 for purchases alone, split between old and new. Quite apart from individual quality, the practical nature of the Collection had always to be borne in mind: here something decorative required, there an appropriate historical portrait, here prints for a corridor, there a magnificent centrepiece, here a modern tapestry.

Dr Baron's policy was first to make a thorough inventory and catalogue of the collection. Ministers and ambassadors felt that they had some proprietorial right to make free of the Collection, whether drawn from stock or inherited upon appointment, and it is easy to contemplate the chaos and physical damage that inevitably followed upon the assumption. Great works dismissed from public rooms by ambassadors who preferred their wives' water-colours; pictures stored in the cloakroom for a party; fragile water-colours exposed to the tropical sun – the stories are legion, all true, and still they come in.

Dr Baron's second great work, therefore, has been to retrieve and conserve as much as possible and then to stabilise the hang, placing works appropriate to the particular ministry or residence which should remain inviolate to any present incumbent's whim. This has largely been accomplished in the major houses, such as Paris and the Hague, but resistance remains strong. With the value of the works in its care being what it now is, surely even the Foreign Office can see it is time it made clear that the curator's writ runs absolute, above any personal preference.

If the work of conservation and disposition made at least some progress, that of serious acquisition all but stopped. When this Government came in in 1979, the great Quango hunt was on and our small advisory committee thought fair game. In the event the committee escaped, but its budget did not. With fixed costs then of some £70,000 and the overall sum reduced to £100,000, not much was left for pictures. Purchases were further hindered by an absurd Treasury rule, which still applies, that no budget may be carried over to the following year.

This effective loss of the grant reduced the Collection immediately from being a serious patron to insignificance. The budget has to some extent been restored, but still a single major work, old or new, would swallow it whole. For purchases it again stands at around £100,000.

Tonight we shall learn the winner of the Turner Prize, worth £10,000 this year and doubling next: next week the Barclay Young Painter Award is announced, worth £10,000: last month saw the John Moores disburse £25,000 altogether, with £14,000 to the winner. Enjoy this exhibition, for we are luckier than we deserve to be.

Composers Ensemble

LILIAN BAYLIS THEATRE, EC1

The Composers Ensemble made its entry earlier this year at the Brighton Festival. Any new new-music group has to work hard to establish a distinct identity, and this one has set out to be what its name suggests, a group for composers – for them to conduct and to plan programmes – without stylistic constraints.

Muldowney and Finnissy have already worked with the group; Turnage and the Americans Schuller and Paul Bowles have planned concerts for next season. Sunday's concert in the Lilian Baylis Theatre was the first of two in which new songs were the focus; interspersed with classical string trios, the soprano Mary Wiegold sang ten settings from a planned collection of around 50 that is being written for her over the next two years.

It promises to be an intriguing project, and these first fruits demonstrated a refreshing stylistic pluralism which Mary Wiegold manages impressively. None was less than worthwhile, though a handful stood out. Howard Skempton's typically economical setting of 14 syllables of Emily Dickinson, "How slow the Wind," was a gentle revolving skein of hymnody, utterly distinct, while the first of Michael Finnissy's *Catchpenny Rhymes* proved to be a beautiful folk-inflected cantilena with solo viola.

Muldowney's Eisler-haunted version of Brecht's "On Suicide" was his second treatment of that poem, while Birtwistle's intricate *White and Light* uses the poetry of Paul Celan for the latest of what is becoming a substantial collection of songs with ensemble. John Woolrich conducted most of the items, and his own contribution, "The Turkish Mouse" was one of the most striking – a skirling, reedy accompaniment to a a patter-song text collected in Turkey by Bartók, beautifully proportioned and realised. An excellent start to the scheme, then, with a further instalment in the same hall next Sunday.

☆

At the Elizabeth Hall last Thursday, the Netherlands-based Asko Ensemble began a tour for the Arts Council Contemporary Music Network. The programme is austere, earnest modernism - framed by Varèse (*Octandre* and *Offrandres*) it includes Boulez's first two Mallarmé Improvisations, Stockhausen's *Kontrapunkte* and the first British performances of a recent piece for bass-clarinet and ensemble by Xenakis, *Echange*.

It is the kind of selection which not too many years ago would have seemed exciting and challenging; now it has a didactic feel, and needs rather more flair in presentation than Asko, conducted by Dennis Cohen, was able to muster. Sarah Leonard was the glistening, supple soloist in the Boulez, but the textures around her needed more aeration, and both the Varèse and Stockhausen rarely seemed to develop beyond an expert realisation of the details of the score.

Echange proved a strange example of recent Xenakis – lacking rude propulsive vigour and a real sense of focus while embracing a harmonic palette that for the first time in several decade offered a reminder that in the early 1950s he had been a pupil of Messiaen. A thorough primer certainly, but not a package to win many friends for contemporary music.

Andrew Clements

Sleeping Nightie

THEATRE UPSTAIRS

Victoria Hardie's exploration of the abused psyche is serried with symbols. There is the nightie, buried by two frightened little sisters years earlier in an attempt to expunge the memory of their molesting uncle, and there is the ghost mother, who sublimates the pent-up rage of her sex by pushing windows out on passers-by. Above all there is the video camera, which is capable of glorifying or ridiculing male barbarity depending on whether it is trained on the massed ranks of Her Majesty's ceremonial army or on the individual confronted with his own fantasies.

The dialogue of the play wanders fancifully between this heightened awareness and the prosaic naturalism of Terry Johnson's staging, which is structured around a bed covered with a drab tartan rug and a chair with toys strapped to the legs. In the background looms a plaster madonna with a video screen clasped in her arms.

Sleeping Nightie is the story of the two little sisters grown up. Molly (Louise Jameson), the one who was abused, is the mother of a baby son, wife of an out-of-work opera singer, and maker of militant "video sculptures" which involve approaching men in public places and hissing "rape me, beat me, strangle me." Laura (Serena Gordon), who witnessed the abuse, has cultivated a glossy surface to conceal a repressed soul. By day a successful PR executive, by night she is a frustrated virgin who displays herself naked in her bedroom window to the man who lives over the road.

There is a quaint sense throughout of a writer entranced with her own daring at full-frontally addressing the physical and emotional facts of life: sex is presented in deliberately bald terms, while the expression of emotional involvement veers between a drawer full of unmatched socks, focus of domestic disharmony, and Molly's passionate quasi-poetic pronouncements on motherhood.

Her terror is that her son will be "mugged of himself" by being nurtured into stereotypical manhood. Yet the two men she falls for – the two in the play – are both aspects of that stereotype. Her husband (a hang-dog Michael Garner) is a domestic incompetent, while her American lover (Ray Jewers) is an arms manufacturer. Louise Jameson copes admirably with these contradictions while being able to keep a straight face for announcements such as: "It was all so womblike at art school." But the good points of this play, a surprising transfer from Croydon Warehouse, are finally and thoroughly eclipsed by its self-conscious lushness of language and symbolism.

Claire Armitstead

Louise Jameson

Alastair Muir

Dance Umbrella

RIVERSIDE STUDIOS/QUEEN ELIZABETH HALL

The Cholmondeleys, who are all female and who perform choreography by one of their dancers, Lea Anderson, are one of the success stories of British new dance. The Digital Award they won during their run of three performances at the Riverside Studios last week was just the most recent given to them and/or to Anderson. They have always had a recognisable style, and with it they attract a young, lively audience.

The style comes from their choreographer. The duet that Anderson choreographed as a graduating student in 1984 is what has given the group not only its name but also its abiding flavour. What everybody talks about is how acutely, wittily their movement is based in identifiable human behaviour – and, in particular, the hands and eyes. What makes this striking, even bizarre, is the rhythm.

It is a machine rhythm. What these women do is personal, sometimes private – except that it isn't. You see them do it side by side in twos, threes or fours; you see them do it together, like clockwork. Often they do it facing the audience – faces so impassive, wide-eyed – like dolls. Comic and poignant at once. The movement drives all their body, and you see the back especially lean, tip, bend.

Since 1987 whether choreographing for one sex or two, Anderson's pieces have grown longer. *Flesh and Blood* – with which the 1989 Dance Umbrella came to a close – lasted 45 minutes. Like this Spring's *Flag*, its rhythm showed a new assurance of rhythmic architecture. It didn't – forgive the pun – flag; it kept renewing itself.

Flesh and Blood is a less popular work than *Flag*, less identifiable in gesture, less fun. But in counterpoint and organisation it's just as serious, and its tone is new. This is a mysterious piece that builds impressively. It's eight women are uniformly attired in long dresses – long sleeves, tight bodices – of beautifully heavy fabric that has a dull, cloth-of-gold gleam against the surrounding dark. They lie, sit, arch, bend or writhe on the floor in strange travail, their dresses folded up to their hips to reveal ankle-length tights; or they stand or pace upright like some half-medieval sorority, the fulness of the dresses swaying wittily (costume design: Sandy Powell. Lighting design: Mark Parry.)

Everything this community of women do is authoritatively fitted to a live chamber systems-jazz score by Steve Blake, whose irony, fragmented, recycled melody and impersonal urgency catch Anderson's tone perfectly. The piece keeps changing, and achieves a sense of ritual ceremony. The timing and organisation, even of a duet, seems pre-ordained. Towards the end, the use of hands linked or raised suggests prayer, invocation.

Flesh and Blood is at times a mild 1980s echo of some early Martha Graham all-female works – half secular, half religious. It doesn't try for Graham's force. I wish, though, that it had more Graham rigour. Cholmondeley torsos and thighs still aren't as exact as Cholmondeley hands and eyes, and so their works don't have enough theatrical edge.

Andrew Clements has already reported in this page on the music-theatre collaboration between choreographer-director Ian Spink and composer Judith Weir, *HEAVEN ABLAZE in his Breast*, which Second Stride and Vocem performed earlier last week; I agree entirely with his opinion on its cluttered, bitty nature. It was a typically intricate Spink construct, rife with singer-dancer doppelgängers in treating its Hoffman story. Cathy Burge is always a vivid dancer, and Steven Goff mimed with new authority. But the dance material was a busy, unmemorable mix of mime and half-technical dance routines.

Alastair Macaulay

Fidelio

CHATELET, PARIS

With the prospect of performances at the new Bastille Opéra uncertain to say the least, the Théâtre Musical de Paris at the Châtelet has the field to itself at present. How sad, then, that the first opera of the season, *Fidelio*, should have been so dim an occasion, in every sense.

As is his wont, Ezio Frigerio hung a good, thick gauze between audience and stage, leaving both soloists and chorus – not to mention his monumental sets based on the stonework of the Pitti Palace (why?) – virtually invisible for most of the time. "Es ist unmöglich sein Gesicht zu erkennen," as Leonore remarks, could stand as motto for the evening, and a production of Beethoven's opera in which the heroine's face is invisible at "Noch heute" is not one that demands to be taken too seriously.

Indeed, of production as we know it, there was little sign. It was credited to Giorgio Strehler, who had apparently left some days before last week's première, as had the leading lady, Jeannine Altmeyer. In her place was Sabine Hass, a capable, rather stolid soprano with a beefy top. Little of Leonore's character, if it was there at all, penetrated the gauze, any more than did Rocco's (Kurt Rydl, relentlessly loud).

Only Siegmund Nimsgern's unacceptably coarsely sung, absurdly melodramatic Pizarro made much impression, and one wished it hadn't. On the potential plus side were Siegfried Jerusalem's involved Florestan (though he tired *before the end*) and Joanna Kozlowska's charming Marzelline.

The conductor was Lorin Maazel, alternating between beating blandly through most of the score (the grave-digging duet sounded no more menacing than if it had been written by Lortzing with mild indigestion) and lavishing late-romantic expression on the bits that appeared to interest him: the opening of Act 2 emerged in the form of some undiscovered Mahler Symphony, and the mannered overphrasing of the Last Rites trio was simply unbearable.

The guest Philharmonic Chorus of Warsaw brought some spirit but not enough consonants to their contribution, and the mercilessly bright acoustics of the Châtelet showed up some surprisingly sloppy playing from the Orchestre National de France. Not a happy evening.

Rodney Milnes

Elisabeth Leonskaya

BARBICAN HALL

Elisabeth Leonskaya, one of the solo recitalists invited to take part in the Barbican's "Magyarok" series, played Schubert and Liszt on Sunday afternoon. The Russian pianist is an artist of immense authority and distinction: everything she touches is directed by a mature musical response, and has been completely filtered through her own personality. She does not project any "image" in her platform presence; that is all left to the music-making.

If one says that her performances of the Schubert G major Sonata and of the Liszt "Dante" Sonata sound like absolutely nobody else's, this should not be taken to imply any display of self-conscious expressive quirks or tics. The Schubert was taken more weightily than usual. The dragging pace and heavy enunciation of the opening suggested a pall of sadness only gradually dispersed throughout the work.

I believe the music contains more lilting charm than Miss Leonskaya's plain, fiercely honest presentation allowed it to have, but was nevertheless utterly compelled and convinced by her viewpoint – never dry or didactic, strongly influenced by the sense of Schubert's harmonic movement, and with its own fascinating range of keyboard colours gently transmuted from cloudy to quietly shining.

She did not give us a particularly Hungarian group of Liszt after the interval. (Was Liszt, indeed, truly a "Magyarok" composer, except by accident of birth? Was he not the most international of composers? The point is a nice one.) The "Dante" was preceded by the "Vallée d'Obermann" and two of the Petrarch Sonnets, fine-nerved, dreamy, spun out with an invincible command of melodic line.

It's a rare Liszt player who knows how to tap as much expressive energy from the pauses between the notes as from the notes themselves. In the "Dante" the same qualities were matched by high technical skill in dispatching bravura, in mixing lyricism, diablerie, and grand poetic declamation. Miss Leonskaya may not yet have won herself the London following she deserves; but each appearance surely wins her new devotees.

Max Loppert

ARTS GUIDE

November 17-23

OPERA AND BALLET

London

Royal Opera, Covent Garden. Further performances of the new, and dismally unsuccessful, production of Cherubini's *Médée* by Mike Ashman, conducted by Mark Ermler, with a cast headed by Rosalind Plowright; and of *Rigoletto*, in the Nuria Espert production conducted by Sian Edwards, with Judith Howarth (Gilda), David Rendall (the Duke) and Brent Ellis in the title role. **English National Opera**, Coliseum. The revival of Graham Vick's *Madama Butterfly* production brings back Janice Cairns to the title role, and introduces to London the American conductor Antonio Pappano. Further performances of the new David Freeman production of Monteverdi's *The Return of Ulysses*, conducted by Paul Daniel.

Paris

Chatelet. *Fidelio* conducted by Lorin Maazel in a splendid Giorgio Strehler production with the Orchestre National de France and Warsaw's National Philharmonic Choir is co-produced with Teatro Alla Scala, Milan and Radio France (40282840).

Brussels

Cirque Royal. Bejart ballet Lausanne performs *Piaf, Elegie pour elle, Firebird* and *Bolero*. Antonio Gades performs *Fuego* based on *El Amor Brujo* of Falla. **Théâtre Royal de la Monnaie**. The Monnaie Dance Group Mark Morris in *New Love Song Waltzes, Love Song Waltzes, Wonderland*, music by Brahms and Schoenberg. Ingo Metzmacher conducts the Monnaie Symphony Orchestra.

Berlin

Opera. *Faust* sung in French has fine interpretations by Keith-Lewis, Wilhelmenia Fernandez, Marcia Bellamy and Viktor von Halem. A Teresa Berganza recital with pianist Juan Parejo features songs by Rossini, Pergolesi, Bizet, Guridi and Rodrigo. *Der Troubadour* in Herbert von Karajan's production features Lando Bartolini, Sharon Sweet, Ruth Hesse and William Murray. *Giselle* rounds off the week.

Bonn

Opera. The successful ballet production *Der Nussknacker*, choreographed by Youri Vamos returns. A Margaret Price Lieder recital, accompanied by Graham Johnson in Schubert and Schumann.

Frankfurt

Opera. *Dido und Aeneas* brings Glenys Linos and ValentinJar, Elaine Woods and Sonia Theodoridou together. The new production of *La Finta Giardiniera*, by producer RobertCarsen was well received and is sung by Ugo Benelli, Margaret Marshall, Alicia Nafe, Sonia Theodoridou and Douglas Johnson.

Munich

Opera. *La Bohème* has a strong cast led by Gabriele Benackova-Cap, Julia Conwell, Wolfgang Brendel and Francesco Ellero d'Artegna. The extraordinary Nicolaus Lehnhoff Ring production returns this week.

Stuttgart

Opera. The new Harry Kupfer *Elektra* production has afirst-rate cast led by Anny Schlemm, Deborah Polaski, Toni Kraemer and Irmgard Stadler. *Andreas Chenier* convinces thanks to Mara Zampieri, excellent in the title role. Further offered *Don Giovanni* and *Dornroschen*.

Florence

Teatro Comunale. Ermanno Olmi's production of Janacek's *Katja Kabanova*, sung in Czech with Italian surtitles and conducted by Christian Thielemann. The cast includes Ashley Putman, Stefka Mineva, Dimiter Petkov, Jan Blinkov and Sharon Graham (277923б).

New York

Metropolitan Opera. The week features the first performance of the season of *Les Contes d'Hoffmann* conducted by Sylvain Cambreling in Otto Schenk's production with Ruth Welting, Judith Blegen and Luis Lima. *Die Frau ohne Schatten* continues in Nathaniel Merrill's production. Lincoln Center Opera House (362 6000).

Chicago

Lyric Opera. Kiri Te Kanawa sings Elisabeth de Valois, Tatiana Troyanos is Eboli and Samuel Ramey is Philip in the premiere of Sonja Frisell's production of *Don Carlos*, conducted by James Conlon. Lyric Opera (332 2244).

SALEROOM

Zoffany masterpiece may stay

The Tate Gallery is negotiating with Agnews's to buy Zoffany's 18th-century group portrait of the family of John, 14th Lord Willoughby de Broke, taking breakfast, which was sold for just over £3m to the London dealer at Christie's on Friday.

The Tate had been talking to the vendors, the Willoughby de Broke family, before the auction but were unable to reach an agreement. In the event the auction price was not considered excessive and talks have re-opened with a good chance that, if the Tate can raise the money from bodies such as the National Heritage Fund, this masterpiece by Zoffany will stay in the UK.

Christie's East in New York has specialised in the market for animation art, and in May sold a cell, short for celluloid, pencil drawing traced in ink on plastic, for $286,000. On Sunday its best price was $176,000 (£110,000), way above estimate, for a black and white gouache, with an elaborate watercolour background, of a still from "Ye Olden Days," the first Walt Disney cartoon to feature Minnie Mouse. The cell, dating from 1933, shows her being serenaded by Mickey in a medieval castle.

At Sotheby's in New York over the weekend there was a good auction of contemporary prints which totalled $13.164m (£8.4m), with just 9 per cent unsold. The top price was the £315,186 paid for Andy Warhol's image of "Marilyn Monroe," the complete set of ten silkscreens printed in colours, one of a set of 250, published in 1967. The price was within estimate.

Twelve hand coloured collaged images with lithograph, linoleum cut, silkscreen and rubber relief printing, by Frank Stella, after illustrations by El Lissitsky for "Had Gadya," did well at £126,115.

After generations in the doldrums Paris is re-asserting itself as a major international art centre. Its big opportunity to grab the headlines is on November 30 when Binoche et Goudeau offer "Pierrette's Wedding," an historically important painting by Picasso, part "pink" period, part "blue," and with hints of cubism. It is a candidate for a record price for Picasso – still the $47.85m. paid in the summer for his self portrait, Yo Picasso.

Meanwhile another Parisian auctioneer Guy Loudmer held a significant sale of Impressionist and modern pictures on Sunday, which totalled around £12m, but with almost a quarter bought in. Top price was the £660,000 paid for a 1951 work by Dubuffet of a monster, "L'Effraye." A study by Matisse for "Le silence habité des maisons" sold for £520,000, a record for a Matisse drawing.

Antony Thorncroft

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Building on Thatcherism

LIKE A CHAMPION hurdler, Mrs Margaret Thatcher seems to have jumped the barrier posed by Mr Lawson's resignation; with the new parliamentary session opening today, business continues as usual. None the less, she has been weakened. A political race deprived of her commanding presence can now be envisaged. The question for the UK is whether the country builds on the achievements of Thatcherism, while remedying its defects, or sees them demolished, instead.

Mrs Thatcher may not be very popular, but that does not make her any the less extraordinary. No ordinary woman becomes Prime Minister; no ordinary Prime Minister survives in power for more than ten years; and no ordinary politician gives her name to a political doctrine.

"Thatcherism" is not really an "ism" at all; it is an instinct. Mrs Thatcher is patriotic, a believer in free markets – except where the interests of her supporters are engaged, and in free choice – except where her own concept of morality is endangered. She believes in self-reliance, enterprise, thrift, law and order and a limited state. She abhors trade unions, spongers and left-wing intellectuals. The triumph of these attitudes was no accident. It reflected the failure of socialist corporatism to deliver acceptable economic performance or social harmony.

Her Government is criticised for over-centralisation of power. But this defect has been no accident. Only a powerful state, Mrs Thatcher believes, can protect the people from the barons of corporatism. Within society more is now in the hands of the individual; but within government more is in the hands of the Prime Minister.

Yet, after ten years of supremacy, Thatcherism is reaching its limits. It is not just that boredom is setting in; it is not merely that the economy is looking far from miraculous; and it is not only that the Government tends to look mean-spirited. It is also that this is a radical government with few politically acceptable peaks to climb, while some of the peaks being attempted seem to be the wrong ones.

In hindsight, the decisive successes of Thatcherism – the ending of curbs on prices and wages, the first bold tax reforms, the liberalisation of exchange controls, the revision of labour law, the breaking of unbridled trade union power and the reduction in inflation – had been achieved by 1985. It is easy to take those changes for granted now, but they seemed mountainous in prospect.

Deep-seated problems

These changes were a necessary (though not sufficient) condition for economic success. Higher profitability and more stable labour relations than in the 1970s were essential if firms were to plan with confidence. Nevertheless, many of the problems of the UK economy remain.

The power of trade unions has been reduced, but the rise in nominal and real wages has been higher than in most industrial countries. Profitability has increased, but is still no greater than in the UK's major competitors. Some efforts have been made to improve education and training, but the labour force remains under-skilled (and, given the time involved, will remain so for decades). Investment has risen in recent years, but it remains no larger, as a share of gross national product, than in most of the UK's neighbours. The growth of productivity in manufacturing has been high, but the sector itself remains disturbingly small.

Furthermore, a price was paid in higher unemployment and increased inequality, though this was to an extent inevitable. More culpable was the failure to ensure an adequate level of social security for those damaged by the changes. Moreover, the Government seems to be losing its sense of priorities. Symbolic of the muddle is the contrast between privatisation of water and electricity, on the one hand, and increased central control over the school curriculum, universities and local government, on the other.

Consumed with mistrust of local government, the Government has been driven towards the disaster of the poll tax. Balked by popular resistance to privatisation of education and health, it has left them as inadequately funded public services. Convinced of the superiority of private enterprise, it is criticised by businessmen themselves for the inadequacies of the public infrastructure.

Perhaps the most significant confusions have been over the economy and over Europe. The economic difficulties foreshadowed by last week's Autumn Statement reflect the conflict over what should follow the monetarism of the early years.

Equally important has been Mrs Thatcher's aversion to the surrender of sovereignty to a European "superstate." The former Chancellor's policy of shadowing the D-Mark in 1987 and 1988 proved to be a mistake, but it might have worked differently if the Prime Minister had agreed to place sterling within the exchange rate mechanism of the European Monetary System in 1985, as he had wanted.

Internal contradictions

Thus, the present problems of the Government are far more than a simple matter of personalities. They reflect internal contradictions and conflicts within the Government, the political constraints that circumscribe it and changes in national priorities as well.

What then should follow Thatcherism? The next government must aim to lower inflation to levels seen in the most successful European countries; it should view European integration more positively, while preserving the present Government's insistence on an outward-looking, liberal Europe; it should preserve, perhaps extend, the reforms in the labour market and eschew piecemeal tinkering in industry, while providing generous support for market-oriented training and research; it should embrace the need for substantially higher public spending, notably on education, public infrastructure and health, but resist calls to throw money in any and all directions.

In short, the future for Britain lies in the creation of a "social market economy," embedded within a more integrated Europe. For all its changes the Labour Party does not yet appear to be fully seized of this agenda.

Unhappily, the prospects for securing stable, market-oriented and socially concerned government are still poor. Perhaps the main reason for this is the Government's failure to contemplate constitutional reform. Instead, it has exacerbated the defects of the British constitution by its remorseless centralisation of power. The argument for such centralisation is that this is how strong government is possible: the counter-argument is that this is why strong government has been necessary. Strong governments remedy the mistakes of previous strong governments – and then make new ones of their own.

A constitution that guarantees liberty, decentralises government and demands consensus is a source not of weakness, but of strength. Reform should embrace the method of election to the House of Commons, the powers and composition of the second chamber and, equally important, the dispersion of power among national, regional and local governments. To its credit the Labour Party has accepted all but the first of these requirements. For her part, Mrs Thatcher has gloried in the powers given her by the British constitution. For that very reason, her achievements remain vulnerable to the concentration of power that she has herself exploited and the UK remains prey to the alternation of incompetent extremes.

John Gapper discusses plans to improve vocational training in the UK

A late starter in the race

In Harrogate today Britain's employers will be asked to take charge of a new market. As in other such exercises under Mrs Thatcher's Government, state institutions which have pumped out low quality goods in the face of meagre demand are being replaced with private sector equivalents. There will be much talk of enterprise and private sector dynamism.

But this market is a special one: the market in training. Mr Norman Fowler, the Employment Secretary, will tell the Confederation of British Industry in Harrogate today of his plans to hand over the UK's industrial and business training to employers. Central control of publicly funded training will be ceded to local employer-led Training and Enterprise Councils (TECs). They will supervise the providers of training, who will compete to supply companies with high-quality services.

The CBI has suggested that young people themselves should be given training credits of up to £1,550 each to spend on vocational courses. Instead of being subsidised to take on young people – as in the present Youth Training Scheme – employers would have to pay them market wages and hope to qualify for their training credits.

It is a bold vision. But it provokes scepticism among historians of Britain's attempts to raise vocational training standards, on which employers have placed all too little emphasis in the past. Since the Paris Exhibition of 1867, at which Britain won embarrassingly few awards, the country's failure to compete with European training standards has been a constant source of disquiet.

A government-funded study published last week painted a picture of haphazard training by companies in response to immediate business pressures. Two thirds of British workers said they had received no job-related training or education in the previous three years; 42 per cent could not imagine ever undertaking any.

The onset of the single European market in 1992 has sharpened unease. The study concluded that inadequate training was trapping Britain between high-skill economies such as West Germany's and low-wage European Community members such as Portugal. It could not reduce its wages to Portuguese levels, and British workers had too few skills to compete with West Germans.

European comparisons are sobering. The French vocational education system puts 82,000 students a year through its A-level standard Technical Baccalauréat; only 26,000 British youngsters achieve the BTec equivalent. About 120,000 West German workers gain engineering and technology craft qualifications each year, against 35,000 British.

"The chances of the UK not even catching up, but just narrowing the widening gap are slipping away fast," says Mr Chris Hays, of the Prospect Centre group of labour researchers. "Things may be marginally better than before, but we cannot expect too much," says Professor Sig Prais, of the National Institute of Economic and Social Research.

There are reasons for optimism, none the less. A period of sustained economic growth and falling unemployment, combined with a sharp fall in the number of school-leavers, has made employers more receptive to training ideas. The implications of the fact that eight out of 10 people who will be working in the year 2,000 are doing so now have started to sink in.

With skill shortages already limiting production in many industries, the proposed network of 80 TECs in England and Wales is appealing on two grounds. Employers may get more scope to tailor publicly funded training to their needs, and local co-operation may limit the poaching of skilled workers.

One token of this rising interest is the work of the CBI's Vocational Education and Training Task Force. Led by Sir Bryan Nicholson, the Post Office chairman, it has recommended that the Government should cut the subsidy of youth wages under the Youth Training Scheme and invest the £450m annual saving in training youngsters to higher levels.

Although 66 per cent of YTS trainees now gain some qualifications, they are mostly at or below the equivalent of the old O-level pass (Grades A to C in the GCSE examination for 16 year-olds). The minister has now set a target that at least half should gain the equivalent of A-level vocational qualifications.

The instrument for achieving both this, and improved adult training, will be TECs. Two thirds of their boards will be made up of senior managers from the private sector. Mr Fowler wants TECs to analyse the skill needs and provision in their region. They will then set targets for improved training, and use government funding for national training schemes and local initiatives to deliver them.

Performance targets are central to the new framework. The precursors of both YTS and the £1.2bn Employment Training (ET) programme were schemes to cut unemployment; success was measured by the number of people on them and what those people were doing day-to-day. There will now be more freedom to vary training, but a closer scrutiny of the outcome.

A TEC will be allowed to adjust national training programmes to suit local needs, perhaps varying grants to encourage training providers, such as colleges of further education, to take more people on particular courses. But its methods will be judged by the number of people gaining vocational qualifications and getting jobs.

The measurement of qualifications – and so TEC performance – will be made possible by the National Council for Vocational Qualifications, which is establishing four levels of achievement common to all industries. A TEC will know that YTS trainees gaining first level qualifications in retailing and construction have equivalent competence.

Two thirds of workers had received no job-related training or education in the previous three years

This is what Mr Fowler will expound to the CBI today. If all goes well, the first TECs will start operating next spring after submitting development plans in the new year. But the work of the National Council for Vocational Qualifications, and the early experiences of TEC boards, have provoked doubts about whether they can achieve the desired improvements:

● Skill levels: The emerging vocational qualifications are criticised for starting at too low a level and being narrowly task-based. Being able to answer a telephone and make a bed are skills counting towards a first level qualification in hotel work. Critics say this level would not be recognised abroad and will lend spurious respectability to low skills.

The emphasis on performing set tasks is also criticised for harking back to an earlier era. Mr Hays argues that most NCVQ qualifications see competence as the ability to carry out instructions, rather than being able to work flexibly and solve problems. "They are looking back to the 1950s, and that is no longer sufficient," he says.

A forthcoming National Institute study of hotel worker training in Britain and Germany concludes that TECs may discourage the teaching of flexible skills. Professor Prais argues that domination of TEC boards by large companies will encourage training in craft skills rather than the adaptability needed by small employers.

● Autonomy. There are uncertainties about the degree of autonomy TECs will be given to vary the delivery of the big government training programmes. ET and YTS will account for most of their budgets of about £20m each. Other programmes are much smaller and they will initially get only £250,000 each to spend on local initiatives.

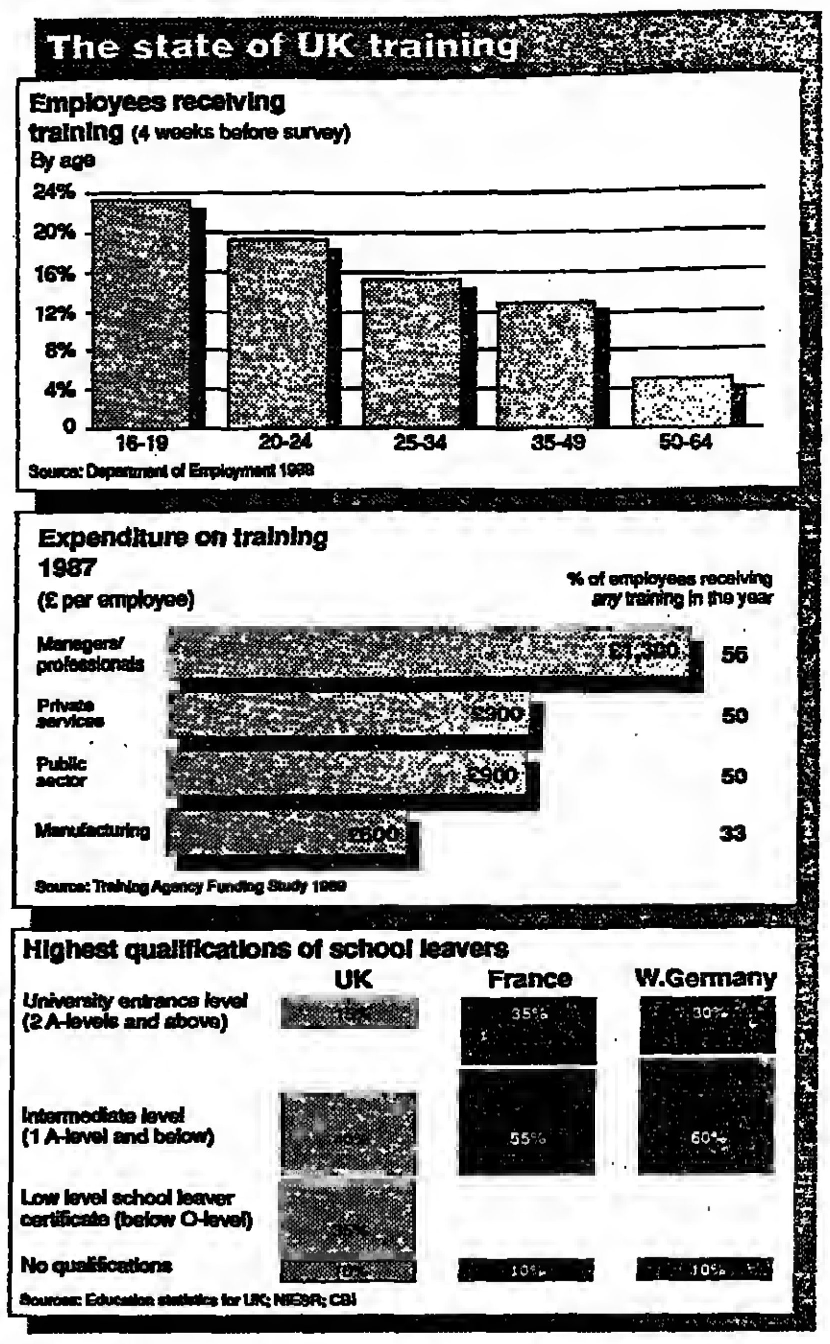
These doubts were increased by early drafts of the TECs' operating manual. Mr Charles Darby, chairman of the Birmingham TEC, says: "You could construe the operating manual as a set of handcuffs . . . If we are only talking about sums like £100,000, we don't want to be arguing petty details."

There are also questions about the range of government programmes that TECs will control. Mr Fowler will announce today that they will deliver the £4.25m Compacts Scheme linking business and inner city schools, but an offer of involvement in the Department of Industry's Enterprise Initiative has drawn a lukewarm response from the first 20 TECs.

● Funding: The future of public funding for training is not clear. The funding impetus for both ET and YTS arose from the need to reduce unemployment. Last year's white paper proposing TECs talked of employers bearing more of the cost of training employees, while the Government retained responsibility for training the unemployed.

These three areas of uncertainty affect both youth and adult training. But on each count, young people have more reason for optimism than adults.

The state of UK training



The kind of flexibility for youth training that many TECs will seek is illustrated hy the plans of the Sheffield TEC. It wants to vary the length of YTS courses, making some last three years and cutting others to one year. It also wants to vary grants to managing agents to give them incentives to train young people in manufacturing skills in short supply rather than in hairdressing and the like.

Mr Fowler will today ontline a vision in which TECs will have freedom to make wide changes in the substance of youth courses. Instead of controlling how training is carried out, the Government will switch to monitoring the results.

The criticisms of lower-level vocational qualifications will also be less relevant to youth training if the TECs move towards Mr Fowler'a target that all young people should gain Level 2 qualifications (the O-level equivalent) and at least half gain Level 3 (A-level equivalent). The broader competence built into these higher level qualifications will meet some of the fears of those who criticise the type and level of skills the National Council for Vocational Qualifications will foster.

The last piece of the jigsaw is money. If these new, higher standards are to be met, more money will be needed for youth training. One possible solution is the suggested switch of funds within YTS from wage subsidy to training. Employment and Education Ministers agree that this would be desirable – with a move towards training credits perhaps following. It seems likely that the political pressure to improve training will persuade the Cabinet to agree.

Adult training is a different matter. Mr Vince Harris, employee relations manager of GEC, is among employers who believe TECs should have the freedom to vary adult training widely. ET budgets might be used to train people unemployed for less than three months – or even raise the skills of those who are already employed. The chances of TECs being given this freedom are very low, although ministers envisage them marketing ET under local labels.

The performance targets for ET will be based on the number of trainees finding jobs rather than the number achieving vocational qualifications. The corollary is that a shift in funding towards the subsidy of adult training as the number of unemployed drops has been virtually ruled out. If an adult training market is to work alongside that for young people, the money will have to come from employers.

Professor Peter Thompson, chief executive of the National Council for Vocational Qualifications, defends the Level 1 qualification as a recognition of reality – that between a quarter and a third of British adult workers have no higher skills than this. Slowar growth in the workforce means even rapid improvements in youth training would leave 80 per cent of the British workforce untouched. A lot more money than the £18bn a year employers currently spend on training would have to be found to raise the skills of this lost generation towards European levels.

OBSERVER

Last note on Honecker

■ A friend who was a Western Ambassador to East Germany until shortly before the Berlin Wall came down pays great tribute to the French. They had a cultural centre in East Berlin which other countries estimated must have cost at least £300,000 a year to run, and which some thought pretentious.

The French Centre, however, allowed young Berliners to engage in free debate. Not only dissenters attended, but also defenders of the party line, who were often heckled.

The best British contribution was the German Service of the BBC, which successive British Governments kept going mainly because of East Germany. It was listened to early in the morning by top party members as well as about half a million ordinary people. If a report was broadcast earlier by Deutsche Welle, the West German equivalent, people tended to believe it only if the BBC confirmed it.

The liberator was the church. Indeed Honecker's downfall can be traced back to the treaty that he made with the churches in 1978 which allowed them space to hold independent gatherings. It was from there that the resistance grew. My friend says that hard-line Communists, of whom Honecker was not quite one, will never forgive him for it.

It was also quite clear that Hans Modrow, the new Prime Minister, was a different animal from the rest of the ruling party. That was why he was moved to Dresden – away from the centre of power. But he still received Western Ambassadors.

Towards the end, my friend says, the Western powers were co-operating with the Soviet Union to prevent some of the excesses of the Honecker regime. Honecker decided that the Wall must be made more of an international frontier and to do that by altering the categories of people who had to show passports in order to cross. The Western powers responded hy boycotting the internal transit points altogether, and the Russians supported them.

Deterrence

■ Robert Clarke, the Comptroller of the Currency and the top bank regulator in the US, has great confidence in China. Speaking at Guinness Mahon, the London merchant bank, yesterday, he told his audience that Chinese banks never fail. Why?

Clarke cited a business guide that came out around the turn of the century: "The law in China provides that when a bank fails every man connected with it, including the managers and clerks, shall have his head chopped off, and they are all thrown in a heap together with the books of tha firm. This law has had such a beneficial effect that not a single Chinese bank has suspended payment within the last five hundred years."

Amakudari

■ In Britain and many other countries, the practice of a senior civil servant entering private industry immediately on retirement is still slightly frowned upon. Not so in Japan, where the notion of conflict of interest is less well understood. There the prestige of a retiring civil servant varies directly with the level of the private sector job he can get as soon as he leaves the service.

The practice is known as *Amakudari*, which means descent from heaveo, and is particularly pronounced among financial civil servants. According to the latest tally

"Fax 999, Miss Poolson – I'm having a coronary."

by Tokyo Shoko Research, a credit research agency, there are now 226 former Ministry of Finance and Bank of Japan officials working as executive directors of commercial banks, accounting for 7.4 per cent of all bank executive posts.

Many descend to the highest levels: 21 are chairmen and 40 are presidents of banks. The most famous of them is Yusuke Kashiwagi, chairman of the Bank of Tokyo. Kashiwagi was deputy minister of finance for international affairs in the early 1970s.

According to the Tokyo Shoko analysis, the purpose of the appointments is not just to smooth the banks' relations with their regulators, but also to help the Ministry of Finance and the Bank of Japan strengthen their influence over the banks.

It is tha smaller, regional banks, some of which are struggling to survive, that are most affected. Only 2.5 per cent of the executives of the big city, long-term credit and trust banks have descended from heaven. At the smaller banks, ten per cent of executives were previously at either the Finance Ministry or the Central Bank.

Irish sinking

■ Pity the yachtsmen aboard NCB Sail Ireland, the Irish entry in the Whitbread Round the World yacht race. The yacht, described by its backers as a world-beater and given a personal send off by Charles Haughey, the Irish Prime Minister, fared badly in the first leg of the race to Uruguay, coming in one from last. Two members of the crew then defected to a British boat. Now, in the freezing second leg conditions near the South Pole, the boom has broken.

NCB stands for Dublin-based National City Brokers, responsible for putting together much of the I£4.7m the project has cost so far. The Irish sporting public are now calling it the "Never Coming Back Ireland".

How we dress

■ The average number of suits owned by the British male is 3.25, though it rises to five for men over 49. The main reason for buying a new suit is given as work, followed by a wedding or a party. Expectations of how long a suit is expected to last vary from three months to over five years. Around 90 per cent of suits are now ready-made and just over 70 per cent of all suits are two-piece.

The best-dressed male British politician is judged to be Michael Heseltine, followed by David Owen and Neil Kinnock, then comes Cecil Parkinson. Margaret Thatcher beats the lot of them.

The figures coma from a poll conducted for the British suitmakars, Magee.

Way out

■ Sign outside a County Cork inn: "Temporary parking only in forecourt. Overnight parking in onter space."

LETTERS

'No one has ever tried to do this before'

From Mr Krzystof Lis, Polish Minister for Privatisation.

Sir, Poland must privatise an important part of its economy. This is agreed by the Polish Government, and I have been appointed by the Prime Minister to head an agency that will carry out the privatisation process.

Some have suggested that aid must be contingent on privatisation, de-regulation, elimination of price controls and removal of trade restrictions. But our government is absolutely committed to all these, and seeks to implement them. Our desire to create a market economy should not be in donbt. Bnt foreign observers have not fully appreciated the scale of our problems.

The largest privatisation programmes in other countries have affected, at most, 5 or 10 per cent of their economies – which were already functioning market economies. Our challenge is to "marketise" the whole economy, which means, in particular, privatising a great number of non-functioning state-owned enterprises in a relatively short time. No-one has ever tried to do this before.

Our problems are magnified by the fact that most of the reforms connected with freeing the economy must be carried out at the same time as people begin to respond to the incentive of some privatisation – which must be accompanied by reforms in accounting standards and in the legal system and the creation of a capital market.

We hope to start privatising the first enterprises in February and March 1990. Our agency wishes the central focus of the privatisation programme to be a sale of shares to the Polish public. Of course we shall also sell shares to employees on concessionary terms, and sell some enterprises to ESOPs (employee share ownership plans), but we wish to use privatisation to create a capital market in Poland. We shall also sell some shares to foreign investors, but not all, because we do not want all our economy to be controlled by foreigners.

Right now my office is drafting legislation to clarify legal ownership of state property and permit the privatisation process; we are developing privatisation guidelines and an overall strategy; starting training programmes for those who will carry out the programme in co-operation with foreign advisers; liaising with other parts of the Polish government and the parliament on our plans; attempting to recruit staff; dealing with constant approaches from individual state enterprise who wish to be privatised; and – last but not least – dealing with the constant flow of foreign missions who want to ask questions and find out what is happening.

At least 40 per cent of my time is spent talking to foreign delegations, which does not make it easy for me and my staff to do our work. At the same time, the amount of practical help from abroad is very small. I am unable to hire new staff because of shortage of resources and Ministry regulations. We have difficulty in hiring good executives – or even secretaries who can speak foreign languages. We do not have access to enough modern equipment – copiers, computers, faxes – to carry out our tasks efficiently.

To solve these problems our agency is creating both a Centre for Polish Privatisation, which will operate outside ministry regulations and hire capable Poles to work on privatisation; and a Foundation for Capital Market Development and Privatisation, which will solicit funds from private and governmental sources to pay for these people and other costs. This Foundation will assist the privatisation programme of the Ministry of Finance and will be supervised by it. We would appreciate all financial and material assistance that can be provided.

We have heard a lot about aid for Poland, but little is yet available. Thus we must also seek private aid, which will, I hope, be more flexible. We do not wish to become dependent on foreign handouts, but we do need practical short term help. Our economy is in a disastrous condition, and we want to turn it into a modern market economy as soon as possible.

Krzystof Lis,
Plenipotentiary for Ownership Changes,
Ministry of Finance,
Swietokrzyska 12,
Warsaw, Poland

Nuclear power

From Professor Peter Odell.

Sir, Your remarks about the demise of the PWR (pressurised water reactor) nnclear power programme err in one important respect: the suggestion that the Sizewell B decision was favourable because at the time of the inquiry the economic conditions that now exist were unpredictable.

Quite the contrary. Every factor which you now observe as so adversely affecting Sizewell's economics was not only exposed at the inquiry, but also quantified: the future much lower cost of oil and coal; the under-estimation of the capital costs; the gross under-estimates of decommissioning costs; the prospects for much increased imports of electricity from Scotland; the ready supply of British sector North Sea gas for fuelling high-efficient and low-cost combined cycle power stations.

The inspector and his economic assessor simply failed to get to grips with the prospects for nuclear power economies, and produced a report with wrong conclusions.

Local councillors – among others in public life – risk being surcharged for their errors. Perhaps a similar principle should apply to those whose errors are so much more expensive.

"In logic," you argue, Sizewell B should not be built. Why has it not been cancelled forthwith? On your figures of its expected full generating costs (8p-10p per kwh), even a successfully completed (and completed on time) Sizewell station will cost taxpayers and/or electricity consumers some £400m a year for every year of its life.

Even if half the costs of construction and purchase have already been spent – or committed so as to involve cancellation charges – it would still be cheaper to abandon the project, restore the site and put the money saved in a combined cycle gas-fuelled power plant – perhaps on the site of the former coal-fired Cliff Quay power station in Ipswich. (The Central Electricity Generating Board's proposal to use this as a training centre for PWR operators is now clearly redundant.)

The location is still close to Sizewell – in an area of the UK where more generating capacity is required – and it is close to the source of the gas. But it is away from Suffolk's "heritage" coastline – with its fragile physical and socio-economic environment in grave danger from the Sizewell B white-elephant project.

Peter Odell,
Department of Economics,
The University of Calgary,
Alberta, Canada

From Professor P.M.S. Jones.

Sir, Mr Harper's letter (November 16) like many other recent articles in the press, continues to confuse costs and prices.

There have indeed been re-appraisals of decommissioning costs; these were an important factor in the decision to withdraw Magnox plants with relatively short remaining production lives from the privatisation package.

However, as Mr John Wakeham made clear in the House of Commons, and Lord Silsoe made clear at the Hinkley C inquiry, the post-privatisation prices being sought for nuclear electricity from advanced gas cooled reactor (AGR) and pressurised water reactor (PWR) plants by National Power were primarily a consequence of the relatively short contracts being proposed, the higher rates of return desired and the inclusion of on-costs. For Hinkley C the basic cost data remain unchanged, and are not sensitive to de-commissioning cost estimates.

P.M.S. Jones,
AEA Technology,
11 Charles II Street, SW1

Consumption must be cut down

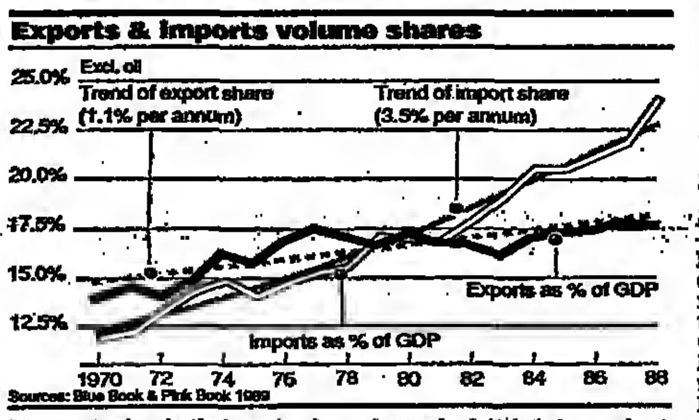
From Professor Wynne Godley.

Sir, In his comment on the Chancellor's Autumn Statement ("No need for recession," November 16), Samuel Brittan makes two important conjectures: "as capacity pressures fall off there should be a large fall in the trade deficit;" and "the payments deficit reflects rising investment rather than falling savings." I believe that both these statements are incorrect, and that attention could be deflected from what should be two separate, important causes for concern.

Mr Brittan bases the first proposition on a chart, included with the Autumn Statement, which plots the (non oil) trade gap since 1970 against the Confederation of British Industry (CBI) capacity utilisation indicator. This shows the trade gap very roughly tracking the CBI indicator with only a moderate suggestion of an upward trend. But it is misleading on two counts. There is an eye-catching sharp rise both in the trade gap and in capacity utilisation in 1973 – but the rise in the trade gap was mainly because of the large but temporary rise in commodity prices during that year, when the terms of trade in non-oil goods deteriorated by 11 per cent. Furthermore, consideration of the balance of trade on its own conceals the extent to which the rate of increase in imports has been faster than that of exports throughout the whole period.

The chart shown below shows how the volume of imports expressed as a proportion of GDP has risen almost continuously since 1970, fluctuating cyclically around an average growth rate of about 3½ per cent. This chart also shows how the export share only grew by about 1 per cent per annum.

Exports & imports volume shares



Sources: Blue Book & Pink Book 1989

My conclusion is that, so far from the trade deficit being a short term phenomenon which a moderate cut in demand would now remove, it is the result of very persistent long run trends. To remove a deficit equal to between 4 per cent and 5 per cent of GDP requires a cut in net imports of between 12 per cent and 15 per cent. The necessary cut in domestic demand (if this were the only instrument used to achieve this) would probably have to be about 10 per cent, and such a large cut in demand would do nothing to alleviate the underlying adverse trends – rather the reverse.

The second strategic problem concerns the structure of demand. The position is described by the following table.

Components of demand as percentages of GDP

	Average		Change	
	1965-79	1979	1990	1979-90
Personal consumption	59.1	59.1	65.3	+6.2
Government consumption	21.8	21.2	18.5	−2.7
Fixed investment	18.4	17.1	19.5	+2.4
Stockbuilding	0.7	1.0	−0.1	−1.1
Balance of trade in goods & services	0.3	1.5	−3.7	−5.2

As Mr Brittan points out, there has been a rise in the investment share since 1979, but this will only slightly exceed the 1965-79 average in 1990, and will be no higher than it was at the beginning of the 1970s. (It should be recalled, too, that an exceptionally large proportion of the recent growth in investment has been in finance, distribution and other services which will not be very helpful for our trading performance in the future). The remarkable feature of the table (*pace* Mr Brittan) is the extremely large growth in the share of personal consumption – to a level which far exceeds the 1965-79 average and, indeed, far exceeds the share in any year since 1950.

As the economy is still overstretched, and as it is undesirable to reduce either the share of investment or (I would hope) Government consumption, it would appear that a very large cut specifically in personal consumption is now a necessary condition for sustained improvement in the external balance.

The scale of the required cut is indicated by the fact that the six percentage points by which the consumption share has risen are worth about £30bn at 1989 prices. A cut in consumption of this size would, of course, generate a large recession unless our foreign trade performance were to improve dramatically – but, as my chart suggests, there is at present no sign that any improvement has yet started.

Wynne Godley,
Department of Applied Economics,
University of Cambridge

Australian farmers' viewpoint

From Mr Tim Roseby.

Sir, One sympathises with the frustrations evident in David Richardson's article ("Overdue treatment for yesterday's illness," November 14) about the effects, in the agricultural sector, of market regulation and market interference by governments.

The glaring point made is that administrative market management can mean production decisions contrary to the demands of the marketplace.

The view of most farmers in Australia (shared, no doubt, by others) is that farmers – who bear the risk of their business, after all – should be the best judge of appropriate production responses. In Australia they have supported the phasing out and elimination of government regulation because they want to be free to make their own choices; they understand that competition leads to efficiency in production and cost savings. We support the FT's views on the need to reform agricultural subsidies.

On environment concerns, the policy prescription of market orientation and removal of trade barriers might also be constructive. Artificially high prices attract intensification of land use, higher levels than might otherwise occur of fertilisers and pesticides inputs, and farming practices which damage the basic land resources and lead to farming in areas best not farmed.

Tim Roseby,
Australian High Commission,
Australia House, Strand, WC2

Valuing the Pearl

From Mr Paul Meins.

Sir, Lex's dismissal of the actuarial valuation of the Pearl Group (November 15) – "the market has already decided . . . with or without the consulting actuary" – is perhaps half right.

The market can only work properly with information. In the case of a life company with up to 45 year contracts on the books, you need an assessment of the profitability of these contracts. Like it or not, a life assurance is a long term business.

The market needs to look at projected cash flows. It needs to examine critically the assumptions on which those cash flows have been based. It is difficult, it is subjective, and different investors will come to a different view. In this respect the market will decide.

Paul Meins,
2 Suters Cottages,
Diamond Terrace,
Greenwich, SE10

Cambodia and the UN

From Mr Tony Jackson.

Sir, In your otherwise excellent leader on Cambodia (November 14) there is one significant error. You state that the decision of the Credentials Committee to allow the Khmer Rouge-controlled coalition to remain seated at the United Nations cannot be reversed until next year. This is wrong.

Although the Credentials Committee has found Democratic Kampuchea's paperwork to be in order, that is a purely technical matter. The *representation* of the Cambodian people by those who slaughtered them by the thousand when last in power can still be challenged. This is a political, not a technical matter.

Tony Jackson,
Oxfam,
Public Affairs Unit,
274 Banbury Road,
Oxford

Legality of public ownership in the EC

From Professor Henry Parris.

Sir, The reason the European Commission has not challenged the basic principle of public ownership is legal, not political ("EC showdown over Renault," Leader, November 16). That principle is explicitly recognised in Article 90 of the Treaty of Rome, section three of which reads:

"The Commission shall ensure the application of the provisions of this Article and shall, where necessary, address appropriate directives or decisions to Member States."

However, you are right to state that some clarification is needed.

While section one of the Article seems to say that all state-owned enterprises are to be exposed to the full rigours of the Community's competition policy, section two appears to go back on this:

"Undertakings entrusted with the operation of services of general economic interest" are to be subject to competition rules only "in so far as the application of such rules does not obstruct the performance . . . of the particular tasks assigned to them."

It is not hard to imagine arguments a *French lawyer* might use in making out a case for Renault to be classed as one such undertaking. If the present dispute does get as far as the European Court of Justice, it should become a leading case in the future development of policy towards public enterprise.

Henry Parris,
The London School of Economics and Political Science,
Houghton Street, WC2

FOREIGN AFFAIRS

Building the European House

Edward Mortimer suggests that Nato and the Warsaw Pact start planning their own obsolescence

"THE QUESTION of borders is not on the agenda – they should stay as they are, and all military matters should continue to be conducted through Nato and the Warsaw Pact. This arrangement has suited us very well, and at a time of great change it is necessary to keep this background of security and stability."

The speaker was Mrs Margaret Thatcher, at her press conference after the Paris summit on Saturday night. But she was echoing almost word for word what Mr Mikhail Gorbachev and his spokesman Mr Gennadi Gerasimov have been saying day after day since the Berlin Wall came down.

As is her wont, Mrs Thatcher thus made explicit what others preferred to leave implicit: in this case, the consensus between Soviet and western leaders on tha need to prolong the division of Europe and of Germany, for political and security purposes, into East and West. Nato and the Warsaw Pact are no longer antithetical to each other, even in rhetoric. They have become in word what they always were in fact: complementary and mutually reinforcing.

But what purpose do they serve, beyond their own and each other's existence? According to the old cliche, Nato is there to "keep the Soviets out [of western Europe], the Americans in and the Germans down."

But the necessity of the first task was the essential premise for the other two. No reason could be given for keeping the Americans in except that they were needed to keep the Soviets out.

As for keeping the Germans down, that was never and could never be an avowed objective of the alliance, since the Germans themselves were a key member of it. It was simply, for those who regarded it as desirable, a windfall by-product: the silver lining, so to speak, of the Soviet cloud.

Such was the arrangement which, it now transpires, "suited us all very well." In reality, of course, it served some better than others: west Europeans better than east Europeans, for instance, and within the West those who defeated Germany in the last war better than the Germans themselves.

To West Germans it was tolerable so long as it was admitted to be in principle a Bad Thing and the fault of the other side. But few Germans will take kindly to the new Thatcher-Gorbachev Doctrine, according to which it is now such a Good Thing that the other side must go on being the other side even when there is a chance that we could all be on the same side.

There may also be trouble with *some* of the east Europeans (or central Europeans as they now like to call themselves, which in itself is symptomatic of the kind of trouble I mean).

Not the Poles, this time: they have their own good reason for wishing to keep "the Germans down" – a reason the late Joseph Stalin, a man of great foresight, was careful to provide them with when he moved their country westwards across the map and endowed it with a large slice of former German territory.

The cliche says Nato is there to 'keep the Soviets out, the Americans in and the Germans down'

Bnt the Hungarians have mixed feelings about the Warsaw Pact, feelings which may well come to the surface during their first free election campaign early next year. Of course, 1956 is a long time ago now, but some central Europeans have long memories.

And then there are the Czechs, who (we all hope) are at last ahont to undo the effects of what happened in 1968. They certainly remember that what happened in 1968 was an invasion of their country by the forces of the Warsaw Pact. They just might think it a good idea to remove the cause as well as the effect.

"Oh dear," you are probably thinking to yourselves by now. "How did this irresponsible teenage scribbler get loose in the pages of the FT? Does he really want to start redrawing the map of central and eastern Europe? Doesn't he know that that was how both world wars started? And how can he be egging on the satellite states to take the one action that would either hring Gorbachev down or force him to behave like Brezhnev?

Can't he see that Mrs Thatcher is right, that we need both the alliances to maintain stability in Europe, and that all this talk of German unity is premature and unnecessary wheo the East Germans themselves keep saying it's not what they want?"

Of course I do see all that, but I also see that Gorbachev and his consequences in eastern Europe are rapidly making the division into east and west not only artificial but meaningless; that once the hostility and the fear of aggression are removed the division into two alliances has no avowahle rationale.

"Keeping the Germans down" may be a tenable line for newspaper columnists, but for governments which need the friendship and co-operation of actual flesh-and-blood Germans it is not.

All the other objectives mentioned – 'maintaining peace and stability, preventing old conflicts over frontiers from leading to war, reassuring Moscow that it has nothing to fear from domestic political changes in east European states – could be better achieved hy a pan-European security structure than hy perpetuating the division into two.

Even "keeping the Americans in" may now prove easier to achieve by involving them in such a etructure, in which both superpowers would have to be full members, committed to maintain the peace in Europe hy co-operating with other European states, than by brandishing a "Soviet threat" which the Americen puhlic will find less and less credihle.

When Gorbachev inherited the phrase "common European house" (or "home" – the Russian word can mean either) from Leonid Brezhnev, it obviously meant something quite different from this. The Russians then believed they were European in a sense that Americans are not – an unacceptahle proposition in the secnrity sphere, given the sheer size of the Soviet Union in relation to the rest of continental Europe.

But in Bonn this June Gorbachev signed a declaration referring to a Common Home "in which the US and Canada have a place as well." And in Strashourg in July he reaffirmed that "the USSR and the USA constitute a natural part of the European international-political structure." It is still not clear (perhaps even to him) just what he means by the Common Home,* but that very fact offers opportunitiss as well as dangers to the West. There is still time for input from other sources.

If I may make one modest contribution of my own to this new science of European architecture, I should like to suggest thet Nato and the Warsaw Pact be treated not as the foundation-stones but as the scaffolding.

The current negotiations in Vienna on conventional forces could be a pattern for the future, in that they are a two-sided affair but conducted within the overall framework of the Conference on Security and Co-operation in Europe ("the Helsinki process").

Unilateral changes in the membership of either alliance are undesirable because they might derail the whole process; but such changes should be easier to avert if both alliances are explicitly engaged in a process intended to lead to their own ultimate replacement by a single structure.

When do iron bars not a prison make? When the person behind them understands that they are only the scaffolding, and that the sooner the house is finished tha sooner they can be removed.

** See the very useful article on "The 'Common European Home' and Soviet European Policy" by Neil Malcolm, in the current issue of International Affairs.*

FINANCIAL TIMES
Tuesday November 21 1989

US concern over bank involvement in European LBOs

By David Lascelles, Banking Editor, in London

GROWING CONCERN among US banking authorities about American banks' involvement in highly leveraged financings in Europe was voiced yesterday by Mr Robert Clarke, Comptroller of the Currency and the country's chief banking watchdog.

He said in London that US regulators were now monitoring the involvement of major US banks in highly leveraged deals abroad as closely as they watched domestic transactions.

His remarks indicated a hardening of the US regulatory position on such transactions. Previously, the US authorities had said that they did not pose any undue risks to banks.

However, the difficulties into which many transactions have run, forcing changes in the original terms, had increased the authorities' concerns, Mr Clarke said.

He expected leveraged financing to grow rapidly in Europe, particularly in the run-up to 1992. US banks would be closely involved because of their special expertise in putting deals together. "This is one area where US bankers see a competitive edge in their European branch networks and years of expertise developed in the US," he said.

But he added: "We note that structural and cultural differences will expose US banks to risks different from those found in leveraged financing in the US."

Mr Clarke singled out four points of concern:

● because a US-style junk bond market has not developed in Europe, risks that would be assumed by bond underwriters in the US would have to be taken on by banks in Europe;

● some US banks have no well-established distribution networks in Europe which would enable them to sell their exposures on to other institutions;

● the creation of the European single market in 1992 will bring new uncertainties to corporate structures and managements;

● European accounting standards differ from those in the US.

Mr Clarke said the European market for highly leveraged deals was growing and becoming more aggressive. Banks were keen to do these deals because they carried higher fees than they could earn in their regular markets. Furthermore, several highly leveraged European deals had failed, particularly in the UK.

US banks have been involved in the financing of most major leveraged deals and management buy-outs in Europe. These include furniture retailers MFI and Magnet, two UK management buy-outs which ran into trouble earlier this year. Mr Clarke singled out Magnet as an example of a failed deal which had left nine commercial banks holding £629m of loans.

Mr Clarke was addressing a seminar on the junk bond market organised by Guinness Mahon, the UK merchant bank.

Bush calls Salvador aid cut 'unacceptable'

By Peter Riddell, US Editor, in Washington and Tim Coone in San Salvador

PRESIDENT George Bush yesterday strongly supported the efforts of President Alfredo Cristiani to restore order in El Salvador and said any cut-off of US aid by Congress was unacceptable.

As he spoke, an attempt by some Democrat congressmen to withhold about 30 per cent of the $85m annual US aid for El Salvador until after April 1 next year failed to clear a preliminary procedural hurdle in the House of Representatives.

The intention had been to allow time to see how the Cristiani Government handled the investigation into the killings last week of six Jesuit priests and two others.

Condemning the murders and urging that the killers should pay the penalty, President Bush said he believed assurances from President Cristiani that his government was not involved.

"If some renegade forces were involved on the left or the right, they should be brought to justice. But Cristiani would not lie to me on a matter of this nature."

Mr Bush said cutting off aid was "absolutely unacceptable to me as President. Here's a freely elected government doing their very best, trying to protect their population from these Marxist-led guerrillas coming into the centre of the city. We support President Cristiani and his efforts to restore order."

"We must not pull away from a freely, democratically elected government that has the certification of freedom of those elections. To continue to have a handful of countries around supporting the outdated concept of Marxist guerillas is unacceptable to the US. This is no time to undermine a fragile democracy that is under attack where we've seen the most brutal abuse of a civilian population," the US President said.

Sporadic fighting continued in the northern and eastern suburbs of San Salvador yesterday as the Government promised to have "total control in the near future." The bulk of the guerrilla troops who besieged the country's capital for over a week appear now to have made a tactical withdrawal, but may simply be regrouping. Fresh guerrillas have been seen in the capital and the eastern city of San Miguel.

The Government claimed yesterday to have inflicted 1,300 casualties on the guerrillas in eight days of fighting but admits to capturing only some 500 rifles. These losses, if correct, would represent between 10 and 15 per cent of the estimated 10,000-15,000 guerrillas involved in the offensive. However, union members and university students have swelled the guerrillas' ranks.

President Cristiani painted a positive picture of life returning to normal during a TV broadcast yesterday and lifted a 24-hour curfew on the working-class neighbourhoods in the capital which have been the scene of some of the heaviest fighting. But he said a dusk-to-dawn curfew would remain in force throughout the country "for as long as necessary", suggesting that the military situation does not justify his optimism.

He also promised aid to the refugees from the fighting and said efforts would be made to return them to their homes, which will be repaired or rebuilt with financial aid from the government.

The heaviest damage has been wrought by aerial bombardment and heavy weapons used by the armed forces in their counter-attack on guerrilla positions in the suburbs.

The government has continued to ignore widespread appeals made nationally and internationally by religious leaders, relief agencies, opposition parties and foreign governments for a negotiated end to the fighting.

No contact appears to have been made by the ruling Arena Party with other political groups to seek a political solution. Instead, the right wing within Arena is asserting its ascendancy. A dozen Lutheran community workers were expelled from the country at the weekend and a further six Anglicans arrested yesterday.

No progress has yet been made into the investigation of the assassination of the six Jesuit priests last week by a military death squad and the government now faces the possible cut in aid from the US Congress this week as a result.

The Salvadorean Attorney General has also advised other liberal priests to leave the country for their own safety, a clear message that the government cannot or will not rein in the death squads.

President Cristiani attended the funeral of the priests at the weekend, but it was Mr Ruben Zamora, a leader of the centre left Convergencia Democratica alliance, who was applauded by the public when he appeared from a week in hiding in the Mexican embassy to offer his respects to the dead Jesuits.

The US ambassador, Mr William Walker, who was also present, pointedly shook Mr Zamora's hand.

Guerrillas fire on government troops yesterday in San Miguel, south-east of San Salvador

THE LEX COLUMN

The markets lean on Mr Major

The brief honeymoon accorded to the incoming Chancellor is well and truly over. Having listened politely in the Autumn statement, the managers of the world's hot money are back again probing sterling's defences. The early results do not inspire much confidence: it only needed a further vague whiff of uncertainty about the Prime Minister's future and some bearish weekend comment to knock sterling down by 2¾ pfennigs. The impact of a really bad set of trade figures on Thursday could be nightmarish.

The foreign exchange market suspects that the Chancellor, for all his brave words, is not going to make his predecessor's mistake and try to defend a fixed exchange rate. The record so far suggests they may be right. Sterling has been allowed to fall by 4½ per cent since base rates were raised to 15 per cent. Under the old rule of thumb, this should have triggered another full point rise. But money market rates are still sitting at a mere 15⅛ per cent.

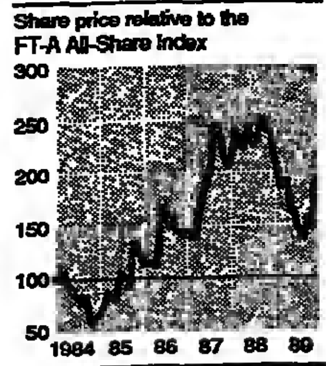
After yesterday's sell-off, the foreign exchange market will probably reserve any further judgement on the correctness of the exchange rate until after Thursday's figures. This is mostly because investors will be reluctant to run big short sterling positions over this week's various official holidays, especially given the risk that the UK trade figures might be less bad than expected.

The equity market's brief recovery has meanwhile been badly dented. It is probably true that the market is still more nervous of the recessionary consequences of another rate rise than of the inflationary effects of devaluation. But managed depreciation is not something to be counted on. The FT-SE is still 100 points above the low point it reached just after Mr Lawson's resignation. There is no obvious reason why it deserves to be.

Hestair

Yesterday's rise in the Hestair price to just 9p above Adia's 282p offer looks a properly cautious opening response. The employment agency business is in a cyclical downswing, and Hestair is not particularly popular in the City. On the other hand, the prospective multiple of just over 10 is scarcely generous. Indeed, after recouping about a third of the purchase price by selling the non-agency bits of Hestair, Adia would be paying more like 9 times for the rest. Around 60 per cent of Hestair's agency business is in the US, where quoted agencies sell on multiples of 15 and upwards: even poor old Blue Arrow is on a prospective 16 times.

But Hestair is far from being a glamour stock. Having swapped the rating of a dull little conglomerate in the mid-1980s for that of an agency business, it is now sharing in that sector's underperformance. The prospects of wringing more out of Adia would be brighter if there were any guarantee of a counter-offer. But candidates are scarce, either within the UK or outside. There is no doubt that Adia can afford more: once its merger with Inspectorate International and the associated disposal programme are completed, it will have cash coming out of its ears. But despite never having made a hostile bid before, it claims not to see Hestair's agreement as essential. A little more can probably be expected as a final price, but it would not do to get carried away.



Lovell/Higgs

There must be more than meets the eye in Lovell's 405p per share bid for Higgs and Hill. Lovell prides itself on socially-conscious schemes in Teesside; Higgs and Hill is quietly proud of its quality brand name. It is out of character to see the two companies brawling like street-fighters. It also looks very queer that Higgs's deputy chairman has already defected to the Lovell camp, even given the fact that he stands to make at least £908,000 from the sale of his shares.

For now, though, the market has more pressing issues to consider than personal power games. Lovell makes the fair point that in the more international 1990s the UK contracting industry needs rationalising to create larger, broader-based companies. It is striking that there are at least 36 quoted contractors with market capitalisations of less than £100m.

It is questionable, though, whether Lovell/Higgs would be big enough to play the part Lovell seems to want. Assuming 1989-90 pre-tax profits of about £60m, the new entity would still be much smaller than an Amec or a Costain. As regards price, at about 9 times Higgs' expected 1989 earnings, 405p is no kind of a deal. From 1984 to 1988, after all, Higgs was growing earnings per share at 21 per cent per annum, a record little inferior to Lovell's. At this price, the bid seems an attempt to shake loose investors rattled by the 11 per cent fall in the sector index since the last hostile construction bid failed in September.

BET

BET is such a defensive stock that only in market conditions like these does it start to outperform. After a day like yesterday, fund managers can be forgiven for asking why they should be in the market at all, let alone in BET. But if BET can keep on churning out 10 per cent earnings growth this year and next, raising its dividend by slightly more, then it does not deserve to sell at a 10 per cent discount to the market and yield a third more than the average.

Of course, the big question remains unanswered: is BET as recession-proof as it claims? Its first half performance is reasonably reassuring. Half of group profits come from the more vulnerable parts of the economy, such as construction and DIY. Yet the marginal drop in home improvement profits and the 58 per cent jump in scaffolding is impressive. Capital investment is also up sharply, which for a company like BET is a good sign.

But the success of the company's concentration on contracting out support services still has to be tested by a recession. Confidence on this score is not enhanced by the the chief executive's penchant for relying on the advice of management gurus like Peter Drucker to support BET's grand strategy. The other worry is the heavy dependence on acquisitions to maintain a growth rate which remains rather pedestrian.

E German election timetable

Continued from Page 1

for changes in East Germany's constitution to end the statutory monopoly on power of the Socialist Unity (Communist) Party (SED).

He said he was told that a new electoral law, as well as changes in the constitution, would be made by the spring of 1990.

Mr Seiters, who will be holding further meetings with the East German leadership in a fortnight's time, called the talks "an interim balance" ahead of Mr Kohl's visit, which will take place after the SED's special party congress in mid-December.

West Germany was ready to come up with new solutions to finance travel to the West by East Germans, who have been streaming to the Federal Republic on temporary visits since the border was opened on November 9.

The two sides yesterday discussed setting up a "foreign exchange fund" for this purpose, into which East Germany would need to make "a considerable contribution," Mr Seiters said.

He added that restrictions on travel to the East by West Germans would also have to be eased as part of an overall package between the two countries.

Anger over chip research cuts

By Louise Kehoe in Washington

A BIPARTISAN group of US congressmen launched an attack on the Bush Administration yesterday over its apparent determination to slash funding of high technology industrial competitiveness initiatives.

"Too many people in the Administration are listening to the high priests of free trade markets. They are letting ideology get in the way of common sense," charged Richard Gephardt, majority House leader. "Over the last several months this Administration has knocked down the building blocks of a policy that could help re-establish America's high technology base," he said.

"The Bush Administration is letting our industry slip through our fingers."

Republican Senator John Hines said: "I feel very strongly that it would be a mistake for my party ... to cut funding for the programme." Both Senator Hines and Congressman Gephardt were signatories to a letter to the President last week urging that funding for high technology programmes be continued.

Executives in the US electronics industry and their congressional supporters were in Washington yesterday to kick off a "vigorous campaign" opposing cuts in government funding for collaborative high technology research projects.

Industry officials said they feared that the reported proposals signalled a dramatic policy reversal by the Bush Administration, which has previously supported industry-led efforts to improve international competitiveness in the face of Japanese competition.

Although the cuts in funding for Sematech, the semiconductor industry research consortium, High Definition Television research, X-ray lithography and other research projects funded by the Defence Department are not yet official, there is evidence that some Administration officials oppose the projects.

Nixdorf chief quits after losses

Continued from Page 1

ment and software in accordance with common industry standards.

Since plunging into the red, Nixdorf has been the subject of constant bid rumours. Companies most frequently mentioned as possible buyers are Siemens, the electrical and electronics group, and Mannesmann, the engineering concern with data processing interests. But Nixdorf, controlled by two foundations and the Nixdorf family, has consistently denied that it is seeking a financial partner or rescuer.

The extent of Nixdorf's problems emerged only gradually last year and prompted strong criticism of Mr Luft from analysts

The company showed a pre-tax loss of DM60m ($32.6m) in 1988 against a 1987 profit of DM331m. Through property sales that year, it produced a net profit of DM26m, a 90 per cent collapse from the DM264m of the previous year.

Earlier this month, Nixdorf said it lost DM465m in the first nine months of this year against DM124m. But Mr Luft, who announced a series of new technology tie-ups with US companies, said it should break even next year. The company later denied a report that it expected continued heavy losses in 1990 and that the supervisory board would hold a confidence vote in Mr Luft.

China aids car joint ventures

By Colina MacDougall in London

CHINA has begun a rescue operation for foreign car manufacturing joint ventures which have stopped production because of huge stockpiles.

The China Daily, Peking's English-language newspaper, has reported that banks had provided large loans for the Government to buy up the vehicles so plants can reopen.

This is a substantial crack in the Government's austerity policy, imposed last year by Prime Minister Li Peng to quell inflation and cool the economy. Draconian credit policies have already caused more than 2m private businesses to close.

Peugeot's Guangzhou factory stopped production in early November, while Volkswagen Shanghai has closed for the third time this year. Beijing Jeep, which operates a joint venture with Chrysler to make the Cherokee in Peking, has kept only the 30-year-old Jeep design in production.

The collapse of the domestic market has meant that Volkswagen had 4,000 Santana cars unsold. They were recently on offer to expatriates for $10,000, about half their normal price. The situation was aggravated by a Chinese barter deal for 20,000 to 30,000 East European cars, most of which remain unsold. Peking had also depressed the market by applying new taxes totalling about $12,000 on each car.

The China Daily, quoting an official said that with loans from the People's Bank and the Industrial and Commercial Bank, the Government had bought 1,500 Santanas from Volkswagen Shanghai, 500 Cherokees from Beijing Jeep and 800 Peugeots from the French company's joint venture in Canton.

Hong Kong giant diversifies, Page 4; Chinese seek HK aviation role, Page 27

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	19	66	Dubrovnik	S	17	63	Malta	F	20	68	Rhodes	S	19	66
Algiers	S	25	77	Edinburgh	C	8	46	Manchester	S	11	52	Rio de J'o	C	36	97
Amsterdam	S	8	46	Faro	R	15	59	Manila	F	32	90	Rome	S	18	64
Athens	C	14	57	Florence	C	12	54	Melbourne	F	18	64	Salzburg	S	7	45
Bahrain	S	26	79	Frankfurt	S	5	41	Mexico City	C	21	70	San Francisco	F	11	52
Bangkok	F	31	88	Funchal	C	20	68	Miami	F	19	66	Seoul	S	10	50
Barcelona	C	17	63	Geneva	C	4	39	Milan	F	8	46	Singapore	F	30	86
Beirut		-	-	Gibraltar	R	16	61	Montreal	Sn	1	34	Stockholm	C	2	36
Belfast	F	9	48	Glasgow	C	9	48	Moscow	C	-7	19	Strasbourg	S	0	32
Belgrade	C	5	41	Guernsey	C	13	55	Munich	S	6	43	Sydney	F	19	66
Berlin	S	1	34	Helsinki	F	1	34	Nairobi	F	26	79	Taipei	C	22	72
Biarritz	F	19	66	H. Kong	S	21	70	Naples	S	20	68	Tangier	R	15	59
Bombay	S	32	90	Innsbruck	S	10	50	Nassau		28	82	Tel Aviv	F	21	70
Bordeaux	R	13	55	Inverness	C	8	46	New Delhi	S	27	81	Tenerife	S	24	75
Brussels	S	13	55	Islamabad	F	24	75	New York	C	7	45	Tokyo	S	15	59
Budapest	F	3	37	Istanbul	S	9	48	Nice	F	17	63	Toronto	C	6	43
B. Aires	C	24	75	Jakarta	R	31	88	Nicosia	F	18	64	Tunis	S	20	68
Cairo	S	23	73	Jersey	C	13	55	Oporto	R	14	57	Valencia	S	16	61
Cape Town	S	24	75	Jo'burg	F	20	68	Oslo	C	4	39	Venice	C	10	50
Caracas	C	27	81	Lima	F	22	72	Paris	F	12	54	Vienna	C	3	37
Casablanca	C	17	63	Lisbon	F	19	66	Peking	S	10	50	Warsaw	C	-3	27
Chicago	F	7	45	London	F	11	52	Prague	C	-2	28	Washington	F	8	46
Cologne	S	11	52	Los Angeles	F	18	64	Reykjavik	S	-4	25	Zurich	Fg	1	34
Copenhagen	C	4	39	Luxembourg	S	7	45								
Corfu	R	16	61	Madrid	C	14	57								
Dallas		-	-	Majorca	F	20	68								
Dublin	C	11	52	Malaga	Dr	16	61								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US errors boost Iraq missile capability

Continued from Page 1

ment departments.

● The approval by the National Security Council and Commerce Department of a series of export licences for several US companies such as Hewlett Packard and Tektronix which did not receive BNL finance, but shipped materials and technologies to Iraq that have contributed to Baghdad's ballistic missile programme.

● A series of bitter bureaucratic disputes among the three key US ministries involved in missile proliferation matters – the State, Commerce and Defence Departments.

Among the BNL-financed exports to Iraq that have raised eyebrows in national security circles are a range of machine tool and computer products sold in part by various US and UK affiliates and subcontractors of the TDG and Matrix Churchill groups, the Iraqi-controlled UK engineering companies.

Officials say that some of the BNL Iraqi credits helped Baghdad to develop manufacturing capacity at various desert sites including Iraq's Saad 16 complex, which is being used for both the Condor 2 missile project and for chemical weapons research and testing.

Most of the military sites are being run by an Iraqi state company called the Technical Corps for Special Projects (Techcorp), a key importer on many BNL letters fo credit.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 21 1989

INSIDE

Legal battle fails to distract LVMH

LVMH chairman Bernard Arnault has spent much of the last few months embroiled in a series of lawsuits launched by Mr Henry Racamier, head of the French drinks and luxury goods group's Louis Vuitton subsidiary, and a number of small investors in a bid to shake Mr Arnault's control of the group. But the drawn-out legal battle has not held back the company. Rather, it has gone from strength to strength, with net profits in the first half of this year showing a rise of 80 per cent and sales continuing to progress in the second half. Page 29

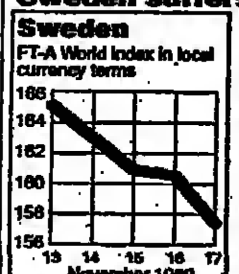
BET optimistic outlook

"No one is recession-proof. We are recession-resistant." So said Nicholas Wills, chief executive of BET, the international services group. He was voicing this optimistic outlook as the company increased pre-tax profits by 20 per cent from £120.2m to £144.8m in the six months to September 30. Earnings per share grew by a more modest 10.5 per cent and the shares closed 1p lower at 281p. Page 34

Ecu on starting blocks

For years, the Ecu has been well known to big savers and big borrowers, it is fairly well established as a unit of account, and for the last two years anybody doing consultancy work for the European Commission has had their accounts settled in Ecus. As a means of payment, however, the Ecu has been a non-starter. But this month the man in the Luxembourg street is being encouraged to use the currency to pay hotel and restaurant bills. Lucy Kellaway reports on an experiment being heralded as a breakthrough on the way to European monetary union. Page 31

Sweden suffers shock



Most stock markets edged ahead last week, but Sweden got a nasty shock from some of its favourite blue chips and took a fall of nearly 5 per cent. Disappointing nine-month figures from Volvo, Pharmacia and Aga were a fresh blow to a market that was already down; Stockholm, the biggest of the Scandinavian bourses, has made little progress over the past three months and is 8 per cent lower than a month ago, writes Alison Maitland. Page 54

Reining back in the East

The Samsung Group is South Korea's largest company, with annual sales of $31bn. It is a diversified conglomerate which makes electronic goods, semiconductors, ships, food, textiles, paper products and aerospace parts and is involved in insurance, retailing and trading. But the coming global market and the need for substantial investment to upgrade technology means that Samsung must reconsider its strategy of diversification, so common to South Korea's large business groups. Page 28

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Metallges'schaft	524.8	+	53
Schering	787	+	12
Siemens	593.5	+	4
Falls			
Daimler-Benz	656	−	6
Holzmann P.	1170	−	45
Kali Chemie	580	−	80
NEW YORK ($)			
Rises			
Boeing	59⅜	+	⅞
Gt Nth Nekoosa	61⅞	+	1⅛
LIN Broadcast	120⅛	+	4⅞
Man Science Am.	18	+	5⅞
Falls			
Gen Dynamics	44⅛	−	4⅞
Raytheon	68	−	7⅜
PARIS (FFr)			
Rises			
Credit Natl	1140	+	38.1
Guyenne-Gas	1062	+	44.8
Intertechnique	1768	+	59.9
SGE	244	+	9.3
Falls			
BIP	865	−	105.6
Labinal	1146	−	46.1
TOKYO (Yen)			
Rises			
Carolina	925	+	88
Daiwa Constr	2180	+	270
Kyoei Tanker	1070	+	180
Miyaji Constr	1340	+	146
S & B Shokuhin	4280	+	420
Shimura Kako	1160	+	160

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
AMI Health	391	+	7
Allied Irish	212	+	6
Blue Arrow	101	+	5
Hestair	291	+	66
Higgs & Hill	412	+	107
Racal Tele	380	+	12
Rosehaugh	478	+	18
UK Paper	298	+	10
Falls			
Barclays	513	−	14
Brit Aerospace	514	−	24
Brit & Comm	109	−	5
Cable & Wire	487	−	14
Carlton Comm	820	−	25
Ferranti	47½	−	6
GEC	211	−	8½
Hawker Sidd	618	−	16
Hunting	212	−	11
Lovell (Y.J.)	232	−	10½
Midland	330	−	14
Morgan Gren	460	−	19
Mountleigh	165	−	6
Prudential	191	−	7½
Smith Inds	283	−	7
Utd Scientific	80	−	34

Handelsbanken makes $310m bid

By Robert Taylor in Stockholm

HANDELSBANKEN, Sweden's second largest commercial bank, has made a SKr2bn ($310m) bid for Malmo-based Skånska Banken, the leading regional bank in southern Sweden.

The offer is being recommended by Skånska Banken's board to its shareholders, it was announced yesterday.

If the deal goes through it promises to make Handelsbanken as big as Skandinaviska Enskilda Banken, Scandinavia's biggest bank, with total assets estimated at SKr300bn.

The bid is a further indication of Handelsbanken's expansionist strategy, and illustrates, according to a Skånska executive, the difficulties for small banks with the increasing internationalisation of the banking system.

Skånska's A and B shareholders are to be offered SKr480 a share, which is 33 per cent higher than the last stock market price of SKr360.

The proposed agreement will require a 90 per cent vote of Skånska Banken shareholders and the approval of the Swedish Government.

Bot Handelsbanken said it expected the deal to be achieved in a very short time.

Mr Hans Lowbeer, head of the Bank Inspection Board, has already expressed his approval for the proposed link.

Skånska's main shareholder is the Roos family, with 52 per cent of the shares and 65 per cent of the voting shares. Mr Axel Roos, chairman, will take a seat on the board of Handelsbanken if the deal goes through.

One problem appears to be the attitude of Trefond Invest, the company that controls about 10 per cent of the voting shares in the bank and is rather cool about the terms of the proposed deal with Handelsbanken.

Yesterday Mr Michael Borman, managing director of Trefond Invest, said he thought a more realistic valuation for Skånska would be slightly over SKr500 a share.

He added that he expected Handelsbanken to make an improved offer shortly.

But Mr Tom Hedelius, managing director of Handelsbanken, replied yesterday that he thought his bank's offer was a good one and there was no reason why it should be turned down.

In the first nine months of this year, Skånska Banken's operating profits rose 14 per cent to SKr201.8m from SKr177m a year earlier, while operating revenues improved 10.9 per cent to SKr469.4m from SKr423.3m.

Credit losses went up by as much as 25.3 per cent in the first nine months from SKr24.5m to SKr30.7m.

For its part, Handelsbanken announced a 7.7 per cent growth in its operating profits during the first eight months of 1989 from SKr2.38bn to SKr2.58bn.

The bank's total operating income rose by 9 per cent to SKr5.17bn, with an 8 per cent improvement in its mainstream banking operations.

Chinese seek big role in Hong Kong aviation industry

By John Elliott in Hong Kong

PLANS ARE being drawn up for the Peking-cootrolled China International Trust and Investmeut Corporatiou (Citic) to obtain an indirect listing on the Hong Kong stock exchange, and a major voice in the colony's aviation industry.

The proposals envisage Citic's Hong Kong offshoot buying Tylful, a largely inactive quoted "shell" company which would in turn take over significant shareholdings in both Cathay Pacific Airways and Dragonair. Tylful is owned by the Cbao family, whose main company is Novel Eoterprises and whose wealth has beeo built in the textile industry.

Tylful would take over Citic's existing 12.5 per cent share in Cathay and would also buy the 25.7 per cent stake in Dragonair curreotly held hy Hoogkong Macao International Investment, a local company originally used to launch Dragonair.

If agreement is reached between the two Hong Kong-based airlines and Peking interests, three years of infighting over air traffic rights would end. Dragonair, a fledgling airline founded early in 1985, would abandon ambitions to become an international carrier and would conceotrate on regiooal feeder routes, especially into China.

The first indication of possible co-operation came yesterday at an air licensing hearing in Hong Kong, when Dragonair withdrew objections to Cathay's right to a Hong Kong-Calcutta route and also delayed its own applications for routes to Taiwan.

Behind-the-scenes negotiations started two weeks ago after Sir Yoe Kong Pao, the Hong Kong businessman with shipping and property interests, sold his 37.8 per cent interest in Dragonair to the Chao family, the airline's founders.

Citic's Hong Kong offshoot has assets of US$600m to US$700m, mostly coocentrated in Hoog Kong and Macao. The Cathay stake accounts for about half the portfolio. Citic considered seeking a listing on the Hong Kong stock exchange last year, but did not go ahead because the market was flat. Tylful would enable it to obtain a listing without the problems of organising its own flotation.

Meanwhile, the Government of the Portuguese enclave of Macao, 40 miles from Hong Kong, is also promoting the creation of a new airline to coincide with the opening of its planned airport in about four years. Citic has been meotioned hy government officials es a possibie investor.

Adia bids £167m for UK group

By John Ridding in London

ADIA, the Swiss-based group which is the world's second largest temporary and permanent staff agency, yesterday launched a hostile £167m ($265.5m) bid for Hestair, a UK counterpart.

If successful, the combined UK businesses would be equal in size to Blue Arrow, the current market leader. Adia already owns Alfred Marks, which it bought in 1977, and Hestair's agencies include Atlas, HMS and Hestair Computer Group.

The Swiss company's 282p-a-share cash offer followed a morning raid on Hestair's shares, which rose sharply from 225p to 291p on the day as Adia raised its holding from below 4 per cent to 6.4 per cent.

Hestair, a former engineering group which until the beginning of this year included Dennis trucks and fire engines and Duple coaches among its businesses, rejected the bid as "wholly inadequate". It described the offer of 10 times historic earnings as "derisory".

But Mr Peter Muller, head of Adia's personnel services worldwide, said: "We will bring a much needed sense of direction to Hestair." He criticised the target's "poor strategy, poor earnings per share record and significant share price underperformance."

Adia said it had a "multi-brand approach to the personnel services industry" and would keep Hestair's subsidiaries intact. However, it said it intended to dispose of Hestair's non-personnel activities.

Hestair has itself recently announced plans to sell its toy-making Kiddicraft subsidiary and its stationery business as part of its increasing focus on employment services. The biggest step in this process was last January's sale of its engineering division to management for £31m.

Adia is undergoing an even more radical corporate restructuring. At the beginning of September it announced plans to merge with Inspectorate International, the Swiss inspection and employment services concern, through an exchange of shares.

The move, which is expected to be completed this month, will more than double Adia's

Lex, Page 26

Lovell makes move for Higgs & Hill

By Ray Bashford

THE board of Higgs & Hill has dismissed Mr John Adams as deputy chairman following his decision to recommend acceptance of a hostile £138m takeover offer from Y.J. Lovell, a competitor in the house building and construction industry.

Sir Brian Hill, the executive chairman of Higgs & Hill, accusing Mr Adams of a "breach of faith", said he was "surprised and shocked" by the decision to break ranks with the board and accept the offer which was announced yesterday morning.

Sir Brian said the board was unaware Mr Adams was having discussions with Lovell. He added that the board had unanimously voted to remove Mr Adams as deputy chairman and request his resignation from the board.

Lovell's takeover bid, being made through two offers with varying cash and share components, pushed Higgs & Hill's shares 107p higher to 412p while the Lovell share price eased 10.5p to 232p.

The terms of the offer are: for every 10 Higgs & Hill shares, £6.52 in cash and 4 new Lovell ordinary shares and 25 new Lovell preference shares or, for every 10 Higgs & Hill shares, £15 in cash and 25 Lovell preference shares. Based on yesterday's closing price, the first offer values Higgs & Hill shares at 405p.

Higgs & Hill said the offer was inadequate and after recent management changes and alterations to the company's operations it was equipped to achieve growth as an independent, international construction company.

The takeover offer came four months after the companies broke off discussions about a possible agreed merger.

The talks were initiated by Lovell which, through an unnamed third party, arranged a meeting between Mr Adams and Mr Andrew Wassell, Lovell's managing director.

Mr Adams, who was unavailable for comment yesterday, agreed with the decision to terminate the talks but later expressed reservations, Sir Brian Hill said.

Sir Norman Wakefield, the chairman of Lovell, said during the talks there was considerable agreement on the commercial logic of a merger but the talks broke down when Higgs & Hill wanted assurances on board representation.

Sir Brian claimed that during a third meeting it became obvious that Lovell was attempting a "veiled takeover" and not a merger.

The acquisition of Higgs & Hill would allow the company to "make a quantum leap" in preparation for increasing international competition in the domestic construction industry and would also save "two or three years in leg work", Sir Norman said.

Lovell believes it will become increasingly necessary for companies in the sector to provide a broad spread of skills in management, finance and construction to allow them to take full responsibility for the buildings they produce. Sir Norman indicated the Higgs & Hill construction side could play a vital role in the establishment of a company with a strengthened and broader base.

A merger of the companies would lead to "significant" savings in overhead, although Lovell claims that their product mix and geographical spread makes them highly compatible.

Lovell estimates its pre-tax profits for the year to September 30 will rise by 35 per cent to £33m (£24.4).

Before launching the bid Lovell held 2.6 per cent Higgs & Hill's capital and has increased this to 3.3 per cent through the purchase of Mr Adams' stake.

Lex Page 28

Meggitt offer for USH lapses

By Andrew Bolger in London

SHARES in United Scientific Holdings yesterday plunged by 30 per cent to 80p after Meggitt withdrew its £104m ($165m) bid for the UK defence contractor.

The specialist engineering group lapsed its bid despite the fact that on Friday it spoke for acceptances representing 83 per cent of USH's ordinary shareholders. These were for its partial cash alternative, which valued each USH share at 144p.

Mr Ken Coates, Meggitt's managing director, said he was walking away from the deal because of the information revealed by USH since the deal was launched on September 11.

During the bid USH doubled to £17m provisions made for losses at its Avimo Taunton electro-optics plant in Somerset. It also revealed that "golden parachute" severance paymeots worth $2.46m (£1.56m) had been put in place for directors of its US subsidiary, Optic-Electronic Corporation, on terms which the UK parent company did not know about.

Some City observers suggested that Meggitt had been more influenced by growing gloom about the defence sector and the steady fall in the price of both company's shares. On the day the bid was launched, USH shares jumped to 176p. Meggitt's shares, which started that day at 123p, yesterday closed at 89p, down 1p.

Mr John Robertshaw, chairman of USH, said: "To allay any concern we shall shortly take the unusual step of circularising shareholders with our preliminary announcement of the results of the year just ended."

Both sides are counting the cost of the battle. Mr Coates said many of his fees were on a contingency basis and the offer would have cost Meggitt less than £1m, although that excludes any losses arising from its 5 per cent stake in USH. USH said its costs would be more than £1m.

Background, Page 35

UK properties feel the chill winds of autumn

Paul Cheeseright explains why a healthy run of increased profits looks to be drawing to a close

The strong figures recently reported by British commercial property companies look like being the last blooms of summer.

Evidence has been accumulating that the peak of the current property cycle took place between December 1988 and February 1989. Total returns, a measurement of rental and capital performance, have since started to slide. At its high point, the annual rate of return on all properties was 31.8 per cent, according to Investment Property Databank. In the year to last September it was 22.4 per cent.

Examples of tha advantage taken while the market flourished are to be found in the latest results from Land Securities and Great Portland Estates, two of the larger investment and development companies. These produced interim figures which showed sharp rises in rental income. Stanhope Properties, meanwhile, produced a strong increase in asset values on the hack of large City of London developments.

But the full results of a surge in development activity coincide with growing uncertainty in the national economy. Indeed, as the figures were being published, Mr John Major, the Chancellor of the Exchequer, was forecasting the sort of sluggish economic growth that could only mean a slowing demand for space. As Mr Richard Peskin, the Great Portland chairman, put it, "the current economic climate has made the market more difficult for the time being."

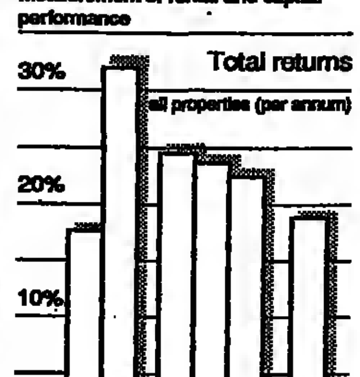
Two years of exceptional growth, as businesses chased office and factory space in a mood of heady confidence have given way to chillier appraisals of the immediate prospects. Mr Peter Hunt, chairman of Land Securities, suggested in the middle of the year that growth was likely to slow but would remain substantial. He was right. Returns from property are still running higher than equities or gilts.

It was notable, however, that in comments on Stanhope's figures, Mr Stuart Liptou, chief executive, noted that the company in 1988-89 had not taken on any oew development projects. Stanhope, which is well-financed, clearly believed it was time to lower the corporate head beneath the parapet.

None of this will stop a steady rise in the rental income of property investment companies. Those with extensive portfolios – Land Securities, MEPC, Hammerson, Slough Estates, British Land, Great Portland and so on – have a continual stream of rent reviews so that if their properties are occupied their revenue will increase.

UK property companies

Measurement of rental and capital performance



Source: Investment Property Databank

Rather, the changing economic circumstances will affect the developmeot companies with smaller asset bases and a need to buy and sell properties quickly in the interests of generating income. The problem here is the coincidence of three factors.

● The first is the surge of development activity that started in the City of London during the mid-1980s but subsequently spread throughout the country as regional economies revived. There is a rough correlation between the fall of unemployment and the rise of property development.

Property companies are usually tardy to respond to building demand, waiting to be assured that rents are sufficient to provide adequate margins on a development. When they do respond they have in the past responded too vigorously, providing too much space to be absorbed in the short term. This could be the situation uow in some areas and some sectors – City of London offices, for example.

● The second factor has been the steady rise in interest rates to 15 per cent. This has put a squeeze on smaller companies, on those that joined the development surge too late, paying too much for sites and projecting rental increases in their financial calculations, and, finally, on the very highly geared.

● The third factor has been the slowing effect of the high interest rates, the stream of depressing economic news – not least the lower expectations of manufacturing and the downturn in retail sales – and, most recently, the Governmant crisis springing from the resignation of Mr Nigel Lawson as Chancellor.

Certainly in the London area there has been a growing reluctance to make commitments on new space. While the underlying tone of demand appears strong, there is no haste to make decisions on new space: it might be cheaper next year. The market has turned quiet.

So the financial charges on property companies have been rising while their capacity to meet them may have been falling. This is why the stock market has been taking such a jaundiced view of property companies, which this year have underperformed the rest of the market.

Certainly, there was no reaction last week to a string of results that two years ago would have been classified as encouraging. Higher income and historic asset values have become of less moment than fears about the immediate future. There seems little reason why this should change in the near future, unless there is a sudden burst of corporate activity.

McCaw Cellular raises bid for LIN Broadcasting

By Roderick Oram in New York

MCCAW CELLULAR Communications raised its offer for LIN Broadcasting yesterday and took other steps to increase the pressure on the owner of valuable US cellular telephone licences to agree to a takeover.

It increased its cash bid to $3.35bn consisting of $150 a share for 22.5m LIN shares, up from $125 a share for 22m.

Combined with its existing small LIN holding, McCaw would own 51.2 per cent of LIN if its tender offer succeeded.

LIN's minority shareholders will also receive $16.17 worth of McCaw A shares for each LIN share they still hold after the deal is completed.

McCaw also offered to pay 12 per cent annual interest on the tender offer if the closing of the deal is delayed beyond March 31 1990.

In a further effort to win over LIN shareholders, McCaw strengthened the safeguards it is offering them as minority shareholders.

The guarantees apply to how McCaw will run LIN and how a buyout price will be determined in 1994.

Meeting with analysts and investors yesterday in New York, Mr Craig McCaw, chairman, and three of his senior executives argued that their offer was superior in terms of cash, guarantees and probable speed of completion to the one LIN has accepted from BellSouth, the largest regional telephone company.

Mr McCaw wrote to the board of LIN yesterday urging it to conduct an open and fair auction for the company rather than continuing to favour BellSouth.

He asked LIN to put both offers to LIN's shareholders at their January 12 meeting and to remove LIN's poison pill which is blocking the McCaw offer.

If LIN agreed to these conditions, McCaw said it would abide by the shareholders' vote.

If the company rejected them, McCaw said it will start a consent solicitation procedure among shareholders to seek to remove a majority of the LIN board.

LIN 's B shares rose $4¾ to $120¾ on the news and McCaw's fell $1 to $36.

US lumber loan oversubscribed

By Stephen Fidler, Euromarkets Correspondent

A $4.5bn syndicated bank loan for Georgia-Pacific, the largest bank financing to be arranged for a leveraged takeover since the abortive attempt last month to raise $7.2bn for the buy-out of the US airline, UAL, has been heavily oversubscribed.

Georgia-Pacific, the US lumber producer, is raising the funds to support its $63 a share cash tender offer for Great Northern Nekoosa, another pulp and paper supplier.

The takeover is defined under the Federal Reserve guidelines as a highly-leveraged transaction and the banks' reaction to it had been seen as an important pointer to the future success of such deals. In the event, 19 banks made commitments to the tune of $12.9bn, an oversubscription of $8.4bn. Bank commitments, including that of the arranger, Bank of America, which originally committed $1.25bn, are being scaled back by more than 60 per cent. The the percentage of banks which accepted the invitation was an unusually high 85 per cent. Three Japanese banks are in the lending group.

The success of the deal is being attributed to several factors by US bankers. While defined as a leveraged deal using significant amounts of debt, it relies neither on a programme of asset sales nor on high growth projections.

While business reasons underly the transaction, debt repayment does not depend on supposed "synergies".

The $4.5bn loan carries a 15-month maturity and a 2 percentage point margin over London interbank offered rates. If and when the takeover is completed, the loan will be enlarged to $5.5bn and the maturity extended to eight years.

Outokumpu invests in Chilean copper

By Barbara Durr in Santiago

OUTOKUMPU, the Finnish mining and engineering group, is investing $175m in Chile to secure copper supplies.

The Finnish company, the second largest copper processor in Europe, recently bid - with a $25m offer - for Chile's Pertenecias Mineras Zaldivar, a copper, gold and silver deposit near the country's giant La Escondida copper project.

Another $5m will be spent on additional studies of the 1.2 hectare ore body, according to Mr Yrjo Anjala, Outokumpu's representative in Chile.

The company then plans to invest $100m in the mine.

The Zaldivar mine's estimated annual production is around 40,000 metric tons.

Mr Anjala said they eventually hope to agree a cooperation deal with La Escondida, owned by Broken Hill Proprietary and Utah International.

Outokumpu is also in the final stages of making another $50m investment in a project, called Lince, for which it has entered into a joint venture with Carolina de Michilla of the Luksic Group.

Outokumpu's investment in the project would come through Chile's debt-swap programme.

Lince's estimated production is 20,000 tonnes per year. Outokumpu processes some 300,000 metric tons of copper per year and buys the raw materials on the open market, according to Mr Anjala.

There is additional demand for some 60,000 tons, which they can secure through the two Chilean investments.

The Lince project is expected on stream late next year and the Zaldivar deposit could start to produce by 1991, according to industry estimates.

Outokumpu has also recently begun talks on another joint venture in copper with Chilean entrepreneur Mr Carlos Cardoen.

Mr Anjala said Outokumpu has "decided to stay in copper and Chile is where the copper is."

Creditors approve Northeast's utility bid

By James Buchan in New York

THE STRUGGLE for control of Public Service of New Hampshire appears to be drawing to a close, with the agreement of the main creditors and stockholders to back a $2.3bn offer for the bankrupt utility from its largest neighbour, Northeast Utilities.

Northeast, the biggest New England utility, with a network stretching through Connecticut and Massachusetts, emerged as a clear front runner on Saturday, when committees representing secured and unsecured creditors and stockholders at Public Service tentatively endorsed an improved offer.

But Northeast admitted yesterday that it must pass several obstacles before it can take control of Public Service which was driven into bankruptcy two years ago because of its disastrous Seabrook nuclear power project.

Above all, Northeast must gain the approval of the New Hampshire legislature for its plan to finance the deal by raising electricity rates by 5½ per cent over the next seven years.

The agreement on Saturday came just in time for a deadline set by Governor Judd Gregg of New Hampshire, whose government has approved the rate increases. Under the agreement, Northeast increased the value of its offer from $2.25bn to about $2.3bn largely to satisfy unsecured creditors.

Secured creditors will now receive some $910m in cash or cash and securities, covering substantially all their demands.

Unsecured creditors will receive $960m in cash, covering all their principal and interest up to the bankruptcy filing and about 50 cents on the dollar for interest since then. Stockholders will receive a mixture of cash and securities valued by Northeast at about $430m.

A good portion of the offer to shareholders is in the form of securities which will be issued as and when Seabrook receives regulatory approvals.

Public Service owns 36 per cent of Seabrook and is its largest holder.

Browning Ferris rises 13%

By Karen Zagor in New York

BROWNING-Ferris, the second biggest publicly-held waste management company in the US, yesterday posted improved revenues and earnings for the fourth quarter and year.

For the three months ended September 30, the Houston, Texas company reported a 13 per cent increase in net income to $73m or 48 cents a share from $64.4m or 43 cents a year earlier. Revenues for the quarter improved 26 per cent to $711.4m from $563.6m.

For the full year, net income rose 16 per cent to $262.6m or $1.74 a share from $226.9m or $1.51 while revenues gained 23 per cent to $2.55bn.

Browning-Ferris, which has benefited from the continuing crisis in US rubbish disposal, said income from operations increased in the quarter to $132.4m from $108.7m. Selling, general and administrative expenses rose 22 per cent to $120.4m from $98.5m. Operating costs jumped 29 per cent to $458.7bn.

Shares in the company were down $1¼ to $38 at mid-day yesterday on the New York Stock Exchange.

Skase seeks court help for Qintex

By Chris Sherwell in Sydney

CONFUSION surrounded the future of Australia's besieged Qintex group yesterday after Mr Christopher Skase sought the court appointment of a receiver-manager for his ailing television and resorts empire.

His dramatic move came in the Victorian Supreme Court in Melbourne, and appeared to have the dual aim of protecting his own position and pre-empting a group of 10 bank lenders which remains divided over how to deal with Qintex's financial problems.

The court is expected to decide on Mr Skase's application today and it seems likely to be disputed by at least some of the banks. On the outcome hangs not only his personal future but the disposal of his Mirage resorts and Channel Seven commercial television network.

Qintex said yesterday that two of the 10 banks – Barclays and the Commonwealth Bank – had been arguing for receivership while others, including Hongkong Bank and the State Bank of New South Wales, favoured a debt moratorium.

A moratorium on repayments is said to be the preference of Mr David Crawford, the Peat Marwick Hungerford representative who undertook an examination of Qintex's finances. The argument is that this would allow the group to continue trading while conducting an orderly sale of its assets.

Mr Skase has previously undertaken to sell the two Mirage resorts in Queensland and related properties in Hawaii and California, along with three television stations. More recently the sale of the whole Channel Seven network has looked likely, and expectations have grown that Mr Skase would be forced to relinquish his position.

His unilateral action yesterday follows protracted and inconclusive negotiations with the banks, during which shares in Qintex Australia, the main operating company, and its parent Qintex Ltd, which is controlled by Mr Skase, were suspended from trading.

Mr Skase has previously blamed the debt-burdened Qintex's problems on high interest rates, the non-completion of its proposed sale of two Queensland regional television stations, the impact of the domestic pilots' dispute on its Mirage resorts, and the failure of its ambitious acquisition of MGM/United Artists.

But controversy has also surrounded some A$42m (US$33m) in management fees and expenses paid since August 1988 to a company controlled by Mr Skase and his senior executives.

The National Companies and Securities Commission, Australia's stockmarket watchdog, has cast doubt over the legality of the payments, and the issue is now due to be put before shareholders.

AFP Group registers a sharp increase in after-tax earnings

By Chris Sherwell

AFP GROUP, the investment group with interests in Gestetner, the Elders stable and Wormald, has reported after-tax profits of A$30.26m (US$23.68m) for the year to September, up sharply from the A$3.56m recorded in the 15 months to September 1988.

Figures released at the weekend with the group's annual report showed a similar increase in revenues to A$53.9m from A$5.7m. Net assets per share at book value stood at A$1.96, up 24 per cent from A$1.63, while cash resources net of all liabilities amounted to A$210m.

AFP is incorporated in the UK, listed in Australia and has headquarters in Monaco. It is headed by the Australian entrepreneurs Mr John Gerahty, Mr Peter Scanlon and Mr Basil Sellers, and according to Mr Gerahty has made "excellent progress" over the past year.

In particular, as a result of the difficulties of Chase Corporation, it purchased 40 per cent of Wormald International, the Australian fire protection group, and 100 per cent of Australia's Hanimex photographic equipment group.

Hanimex is now controlled through Gestetner, the UK office equipment company in which AFP became involved three years ago. AFP holds an effective 55 per cent of Gestetner.

AFP has also rearranged its exposure to the Elders IXL brewing and resources group, channelling it through a 25.7 per cent interest in Harlin Holdings. Harlin has a 55 per cent stake in Elders (61 per cent fully diluted).

Next month shareholders are due to vote on a plan to cancel almost 110m shares which Elders IXL holds in AFP, at an effective price of A$1.26 per share, or A$138m.

This is expected to lift AFP's book value per share to A$2.15.

AFP also owns an effective 27 per cent of Australian Consolidated Minerals, a resources company with interests in gold, coal, base metals and oil and gas.

AFP says its basic objective is to maximise long-term growth in net worth per share. Directors say investors in AFP obtain twice the average exposure to growth in AFP's investments than they would gain through normal market purchases, and insist AFP's true net worth is well in excess of book values.

Carter Holt Harvey up by 68%

By Terry Hall in Wellington

CARTER HOLT Harvey, the diversified timber and fishing group, increased its profit by 68 per cent to NZ$91.1m (US$53.65m) in the half year to September 30, due to improved profitability of most of its New Zealand operations.

The results came despite a lower contribution from associate companies, particularly the company's large Chilean forestry investments.

Net profit before equity earnings from associates, New Zealand forestry, fishing and manufacturing operations, totalled NZ$42.7m, a sharp improvement on last year's NZ$3.64m loss and well on the way to bettering the NZ$58.9m earned in the full year.

Despite the strong profit improvement, Mr Richard Carter, the executive chairman, criticised government economic policies, saying the result had been achieved through ruthless restructuring forced on the company by the economic environment.

He said the hoped-for economic recovery was not yet evident either in the form of strong domestic consumer demand or export-led growth, and it was more probable that the improvement would come towards the end of 1990 rather than this year.

The unaudited result was lifted by the inclusion of earnings from the Caxton pulp and paper company bought last year from Mr John Spencer, formerly New Zealand's richest man, who was a casualty of the 1987 share market crash.

At the time, Mr Carter said the group would initially be close to breakeven after the purchase, after the deduction of borrowings and an increased depreciation charge on revalued assets. But he said yesterday that Caxton was already contributing to profits.

Turnover was up 19 per cent at NZ$773m, with NZ$187.5m of this from exports, up 13 per cent. Pre-tax profit was NZ$56.0m (NZ$4.91m), with tax taking NZ$7.5m (NZ$5.4m). Retained profits from associate companies added NZ$48.4m (NZ$57.8m), to leave a net profit at NZ$91.1m (NZ$54.2m). About NZ$3.3m of the increased profits came from a change in accounting policies to comply with a new accountancy standard on foreign exchange rates.

Earnings per share are 34.6 cents (30 cents), a 17 per cent (14.4) return on average shareholders' funds.

Japan's tool makers advance

By Stefan Wagstyl in Tokyo

LEADING Japanese machine tool makers greatly increased sales and profits in the six months to September, due to strong capital investment by industry, particularly in Japan.

Reporting parent company results, five top manufacturers spoke confidently of long order books and forecast further increases in profits in the second half of the year which runs to next March.

Toyoda Machine Works, a company affiliated to Toyota Motor, forecast annual sales of Y152bn ($1.05bn), up from Y133.3bn, and pre-tax profits of Y7.5bn, against Y5.3bn.

Amada, which specialises in sheet metalworking and sawing equipment, predicted sales of Y150bn, against Y129.7bn last year, and pre-tax profits of Y27.5bn, against Y17.5bn.

Tha other companies also expect comfortably to exceed last year's sales and profits.

LEADING MACHINE TOOL MAKERS (Ybn)
Half year to September 30

Company	Revenue	% rise	Pre-tax	% rise	Net	% rise
Toyoda Machine Works	75.6	24	3.7	54	1.7	40
Amada	72.2	19	13.6	85	6.6	169
Mori Seiki	45.3	28	10.9	82	5.5	97
Makino Milling	27.9	29	2.7	193	1.5	178
Hitachi Seiki	24.6	26	1.9	3,000	0.7	900

Imperial plans expansion and Thailand SE listing

By Roger Matthews in Bangkok

THE IMPERIAL Family of Hotels has announced that it will shortly seek a listing on the Securities Exchange of Thailand and has revealed ambitious expansion plans that could make it the country's largest hotel group within a few years.

Mr Akorn Hoontrakul, the chairman of the family-owned company, is also planning separately to open 20 or more luxury Thai restaurants in Britain, Europe and the US which will also help to market the group's hotels in Thailand. His first Thai restaurant in London's Knightsbridge has been open for three years and is trading profitably.

Some 20 per cent of the company's equity will be offered to the public, with 50 per cent of those shares available to foreign buyers. Trading will probably start between March and May. Mr Hoontrakul is expecting to raise at least 1bn baht ($40m) to fund part of tha group's development which includes work already underway on two 40-storey hotels in central Bangkok. The two hotels, one five-star the other four-star, will have a total of 1,300 rooms and are planned to be completed in less than two years.

In provincial cities the Imperial group is planning to construct up to eight three-star hotels trading under the Impala name and perhaps a further 30 by early in the next century. Its five-star hotels are known as Imperials and the four-stars as Taras.

Mr Hoontrakul also revealed that for the tourism market he is to build up to four hotels on the island of Ko Samui, in addition to the two he already has there. This will be supplemented by an entirely new development in the north at Mae Hong Sorn facing the River Pai near the Burmese border. Three hotels with a total of 800 rooms are scheduled to be completed there by the end of 1993. All the land for the naw developments has already been acquired.

Offer by Dun & Bradstreet

DUN & BRADSTREET, the world's largest marketer of business information, is to acquire Management Science America, a provider of business applications, mainframe computer software, for $333m in cash, agencies report.

Under the deal, a subsidiary of Dun & Bradstreet will make a cash tender offer, at $18.50 a share, for all the outstanding shares of Management Science America.

A new unit, Dun and Bradstreet Software Services, is to be formed incorporating Management and Dun's McCormack and Dodge unit. The tender is scheduled to start this week and tha merger will be completed as early in 1990 as feasible, the company said.

Samsung focuses on electronics

By Maggie Ford in Seoul

THE SAMSUNG Group, South Korea's largest company, with an annual $31bn in sales, is considering a revision in its business strategy.

The company is a diversified conglomerate whicb makes electronic goods, semicooductors, ships, food, textiles, paper products, and aerospace parts. It is involved in insurance, retailing and trading.

But the coming global market and the need for substantial investment to upgrade technology means that Samsung must reconsider its strategy of diversification, so common to Soutb Korea's large business groups.

"We can't be international in everything," said Mr S.H. Lee, finance director, in an interview. "We have already decided that electronics and semicooductors will be our flagsbip business and we want to be in the top five companies in the world in five years' time."

Receotly, Samsung announced thst it has started producing 4-megabit Dram semiconductor chips and analysts believe thst the company is only a year behind the major US and Japanese chip makers. It has invested $1.8bn in the electronics business in the past year.

The company is reviewing the areas in which it should concentrate investment and technology financing, in the light of the huge costs involved in internationalising the business.

Ssmsung is planning to invest $1.2bn this year in petrochemicals facilities, a market expected to expand rapidly in the next few years, but Mr Lee ruled out any investment in the motor industry for the time being.

Last week, Samsung failed to appear at a government-organised auction of the state-owned loss-making concern Korea Heavy Industries Corporation, which it was widely believed to be interested in buying. KHIC has a domestic and international business in heavy engineering and power plant.

Mr Lee said Samsung agreed with the view of the South Korean Government that big companies bad to specialise in their best and most competitive areas to compete in the global market.

Samsung was reviewing its entire international strategy, including its existing foreign plants, to see whether they fitted into the new structure now emerging.

The company has 14 overseas factories, mostly in the consumer electronics field and mostly small. Inexperience in management abroad had meant that not all were successful and a new system may be considered, Mr Lee said. Several Samsung plants have been set up in the US, Europe (including one in the UK), and a number in South-east Asia.

Samsung is the only major South Korean conglomerate in which the second generation of tha founding family has taken control of tha company. Mr Lee Byung Chul, who established the company in 1958 at the end of the Korean war, died in 1987 and was succeeded by his son Mr Lee Kun Hee.

It is the first of the major Sonth Korean companies to focus on a switcb from simply exporting products to developing a multinational structure.

Solvay details W German shake-up

By Tim Dickson in Brussels

SOLVAY, Belgium's biggest chemicals concern, disclosed yesterday that the planned restructuring of its West German assets will yield a capital gain of at least BFr30bn ($777m) for the parent company and boost consolidated group profits by "several hundred million francs" in future.

The figures were announced at a press briefing by Baron Daniel Janssen, Solvay's chairman, who described the moves to establish a new holding company, Solvay Deutschland, as "a very major financial operation" with important tax and investment implications for the group.

In another development, Mr Janssen yesterday promised that, if returned to Solvay ownership, the group will provide investment for the giant soda ash factory at Bernburg, East Germany which was confiscated after the Second World War.

He said negotiations with East Berlin over the factory – "one of the major plants owned by a third country" – have been handled over the last 40 years by the Belgian Government but declined to speculate if recent developments in Eastern Europe had raised hopes of a settlement being reached.

Under the West German regrouping plans – announced in outline on Friday – the Solvay parent company will sell its 57.7 per cent stake in Deutsche Solvay-Werke (DSW), its main German operating subsidiary, to the newly created Solvay Deutschland. Solvay Deutschland will thereby indirectly control 89.7 per cent of Kali-Chemie and will launch an offer for the shares it does not already own at a price of DM550 ($298) per share (involving a maximum potential outlay of DM170m.).

Mr Janssen explained yesterday that Solvay Deutschland will have "at least" DM400m of capital and "at least" DM900m of new debt to be raised in the form of a seven-year floating rate Euro-DM loan from a consortium of banks led by Deutsche Bank. The "gearing ratio" of Solvay Deutschland will be "approximately" 30 per cent capital and 70 per cent borrowed funds.

The capital gain of BFr30bn arising from the transfer of the DSW shares, he said, is virtually equivalent to their market value since they are still held in Solvay's books at their original 1884 level. The net proceeds flowing back to the Belgian company will be in the region of DM900m. and will be used among other things to fund the company's BFr17bn investment programme between 1990 and 1992, mainly in Belgium.

Besides unlocking value in Solvay, Mr Janssen said tha operation has important fiscal implications. "We are in a situation in Germany where we have more cash than debt and where company taxes are higher than in Belgium." He said the structures would be in place by December 31 – before the introdnction of fiscal reforms in Belgium next year.

Mr Janssen confirmed September's forecast that Solvay's 1989 profits would be "slightly higher" than those for 1988 but emphasised that the tax savings – worth "bundreds of millions of francs for 1990 and beyond" – would not affect the current period.

Analysts have been warning recently that lower prices for the company's bulk chemicals and overcapacity in plastics may affect earnings in future years – but one leading Belgian stockbrokar commented yesterday that these developments have already been discounted in the stock market. Solvay shares closed BFr100 higher yesterday at BFr13,900.

BASF 22% ahead at nine-month stage

By Haig Simonian in Ludwigshafen

PRE-TAX group profits at BASF, the West German chemicals concern, jumped by 22.1 per cent to DM3.23bn ($1.76bn) in the first nine months of this year, from DM2.65bn in the same period last year.

Turnover rose by 10.3 per cent to DM35.8bn, from DM32.5bn in the first three quarters of 1988.

Mr Hans Albers, the chief executive, said year-end sales should rise by between 8 per cent and 8.5 per cent to around DM47.5bn. He refused to give a precise estimate for earnings, but indicated pre-tax profits would be between 11 per cent and 19 per cent above the DM3.73bn in 1988.

Mr Albers admitted sales, and especially profits, for 1989 would be affected by tougher conditions in the second half. In the third quarter, turnover went up by a little more than 4 per cent to DM11.40bn, while profits before tax reached DM1.04bn, compared with DM942m in the same period last year.

The culprits for the slowdown were competition, forcing down prices for certain products, and stagnant output in many areas.

The effect has been most visible in Germany. Domestic sales by the parent company rose by only 6.6 per cent to DM5.74bn in the first nine months of this year, compared with a 11 per cent increase in exports to DM11.19bn.

However, the group stressed it did not believe the slowdown foreshadowed a cyclical decline in the chemicals industry in spite of such indications from a number of leading European chemicals concerns recently.

According to Mr Ronaldo Schmitz, BASF's finance director, prospects for growth appear promising well into the second half of next year. Moreover, the slowdown in sales and profits in the second half of this year had stemmed principally from a temporary decline in the home market during the summer, rather than any longer-term downturn, he said.

Sales in both October and the beginning of November have been satisfactory, while the forecast slowdown in sales growth to between 3 per cent and 4 per cent in the fourth quarter had to be seen against the unusually high basis level of 14 per cent growth established during the same period last year, he said.

Shering boosted by pharmaceutical side

By Our Financial Staff

SCHERING, the West Berlin-based chemical concern, boosted group net profit by 28 per cent in the first nine months to DM176m ($95m) from DM137m a year earlier, reflecting strong profits at its pharmaceuticals divisions.

Group sales rose 13 per cent to DM4.5bn, up from DM3.98bn the year before. Parent company net profit jumped 15 per cent to DM133m from DM116m a year earlier. Mr Klaus Pohle, chief financial officer, said full-year sales and earnings growth would come close to the increases reported in the first nine months. Full-year sales are likely to rise 12 per cent, he said.

Schering said the rise in turnover mostly resulted from higher volume sales, but it also cited the beneficial effects of an appreciation of several important foreign currencies against the D-Mark.

Sales of the pharmaceuticals division, Schering's largest, rose 18 per cent during the period to DM2.52bn. The company cited especially high sales of contrast agents, which will exceed DM1bn for the first time this year.

Sales in the agrichemicals division rose 7 per cent in the first 10 months of the year, mostly because weather conditions boosted volume sales of pest-control prodncts, especially for cereal.

Sales of industrial chemicals jumped 10 per cent in the first 10 months to DM937m. Tha increase reflected a rise in volume sales, but also resulted from the stronger US dollar. Adjusted for exchange rate differences, sales in this division rose 8 per cent, Schering said.

MetallG in DM390m rights issue

By Andrew Fisher in Frankfurt

METALLGESELLSCHAFT, the West German industrial company which hopes to win new orders as a result of East Germany's economic liberalisation, yesterday announced a DM390m ($212m) rights issue and an increased dividend for its latest financial year which ended on September 30.

The Frankfurt-based metals, mining, chemicals, and industrial plant construction group said profits rose sharply in 1988-89 after a 55 per cent rise, to DM155m after tax, in 1987-88. It gave no details of the dividend increase; the previous payment was DM8 against DM6 the year before.

Metallgesellschaft said the shares would be offered on a three-for-16 basis between December 8 and 22 at a price of DM325; the shares closed yesterday at DM524.80. Tbe issue is the latest in a series by German companies and banks, inclnding Daimler-Benz, Dresdner Bank, and Mannesmann, totalling several billiou D-Marks.

The company has made no comment on the business it hopes to receive from East Germany, but analysts expect a contract worth aronnd DM200m shortly for emission control equipment for tbe country's Buna power station complex.

New mill for Rauma-Repola

By Enrique Tessieri in Helsinki

RAUMA-REPOLA, the Finnish engineering and forest group, is spending FM1.6bn ($375m) to build a sulphate pulp mill at Rauma, 250km north-west of Helsinki. The mill will have an annual capacity of 350,000 tonnes and be completed by the end of 1992.

It will serve the raw material needs of the Rauma paper mill, Finland's largest magazine paper producer, whicb makes 500,000 tonnes of lightweight coated and supercalendered papers annually. The group will decide next spring whether to invest FM200m in modernising the process nsed at a neighbouring mill.

LVMH affords luxury of its courtroom battles

George Graham on Bernard Arnault's plans

Mr Bernard Arnault, chairman of LVMH, tbe French drinks and luxury goods group, has become embroiled in the last few months in a series of lawsuits.

They have been launched by Mr Henry Racamier, head of LVMH's Louis Vuitton subsidiary, and by a group of small investors in a bid to shake Mr Arnault's control of the group.

In spite of this drawn-out legal battle, however, LVMH bas gone from strengtb to strength, with net profits in the first half of this year showing a rise of 60 per cent, and sales up 22.5 per cent to FFr13.4bn ($2.1bn) in the first nine months of 1989.

Business, from cognac and champagne, with the Hennessy and Moët et Chandon brands, to Christian Dior perfumes and Louis Vuitton luggage, does not seem to have been damaged by the squabble between Mr Racamier and Mr Arnault.

"We are on target, and our businesses are developing very well. The cognac and champagne businesses are very good, with a strong increase from tbe first half. The perfume business is also developing very well – Fahrenheit [the new men's perfume from Dior] is a big success, and its launch in the US was particularly impressive," Mr Arnault said.

At Vuitton, too, sales continue to progress strongly, after a hiccup over the start-up of a new warehouse earlier this year, and the company is about to construct a fourth manufacturing plant in France.

"I think wben all this legal action bas died down tbe events will soon be forgotten. Happily, at the level of our subsidiaries, all our managers are concentrating entirely on their own businesses," Mr Arnault said.

The law suits, however, cannot be dismissed entirely. At the heart of the debate is a controversial issue of bonds with attached warrants, carried out initially by Moët-Hennessy, before its merger with Louis Vuitton to create LVMH.

The Paris appeals court decided this montb tbat the issue was "irregular," but refused to award damages to

Bernard Arnault: Embroiled in a series of lawsuits

the plaintiffs; it opened tbe way, however, for the plaintiffs to start again with a different angle of attack, asking for the issue to be annulled.

If tbe courts were to annul the issue, their decision could have financial consequences for Mr Arnault, wbo owns the great majority of tbe contested securities, but also for LVMH.

"The LVMH group would have to pay out a sum close to FFr5bn, which represents half its working capital at the end of 1988, so it would be a considerable burden.

"In particular, we would have to repay tbe bonds whicb represent FFr800m at 1 per cent interest, in otber words, money virtually for free. All this, without Mr Racamier having the slightest bope of taking control of LVMH. So what is tbe objective pursued?" Mr Arnault asked.

His stake, beld in partnership with Guinness of the UK through the Jacques Rober bolding company, totals around 45 per cent, with shares arising from the contested warrants amounting to 5 per cent, while the Moët Hennessy family stake is currently assessed at 11 per cent.

"Everyone forgets that at the moment we only have single voting rigbts, and wben we have double voting rigbts, whicb we will bave in 18 months now, we will increase our position without having to buy more shares. I am not in a burry, contrary to what yon may hear." Mr Arnault rejects the argument put forward by Mr Racamier that LVMH could easily replace tbe contested issue with a new rights issue.

In the first place, he backs the position of the Moët Hennessy family sharebolders, who refuse a rigbts issue because they would be unable to subscribe.

In the second, when LVMH makes a rights issue, he said, it must be for the purposes of developing its activities, not of mopping up the consequences of the lawsuits.

In the meantime, Mr Arnault says he regrets that because of the uncertainty, LVMH has had to put a number of acquisitions and investments on hold.

These include the increase of its bolding in Guinness – the two groups have agreed in principle to build up matching stakes, but Guinness's 24 per cent interest in LVMH is at the moment double LVMH's holding in Guinness.

The most important part of the Guinness agreement, bowever, is the joint distribution networks the two groups are setting up in markets like the US and Far East.

"Our co-operation is splendid, because we have the number one champagne (Moët), the number one cognac (Hennessy), the number one whisky (Johnny Walker) and the number one gin (Gordons) in the world, so we offer an exceptional array of products to distributors – and tbat is the wbole reason for this agreement," Mr Arnault said.

This sector of LVMH's business has long cycles, beavy investments, large stocks, and offers regular but moderate earnings growth.

Tbe perfume and luggage activities bave faster growth and sometimes higher margins, but are subject to the caprices of fashion.

For the future, Mr Arnault plans to develop LVMH's separate activities as autonomous but not ntterly independent husinesses, which draw on the resources of tbe group.

"We have the good fortune in this group to have both the most prestigious names and top quality teams," he said.

Statoil aims for top spot in European petrochemicals

Karen Fossli finds that vast reserves of natural gas have forced the discovery of new market outlets

Ambitious plans by Statoil, the Norwegian state oil company, to invest between NKr8bn ($1156.1m) and NKr10bn until 1995 to produce petrochemicals, methanol and methyltertiary butyl ether (MTBE), are aimed at propelling the company to the top of the list of Europe's petrochemical producers.

Since its inception more than 15 years ago Statoil has become one of Europe's biggest crude oil producers with current production at about one million barrels a day.

In recent years the company's access to vast Norwegian North Sea natural gas reserves has forced Statoil to seek expanded market outlets for its sale and utilisation. Expansion of petrochemicals, io which natural gas is used as a feedstock for production, bas become central to tbe company's strategy.

In the last two years the petrochemicals division has boosted group revenue. In 1988 petrochemicals had an operating profit of NKr1.3bn on sales of NKr4.5bn. In the first half of this year operatiog profit hit NKr620m on sales of NKr2.4bn.

"There is no doubt that this sector of Statoil's activities is in a very expansive phase. We don't koow precisely when these oew investments will come, but they will come. Our aim in expanding petrochemicals operations calls for building oew capacity, expanding existing capacity and buying additional capacity," explained Mr Tore Tonoe, president of Statoil's petrochemicals division.

The formalisation earlier this month of a joint venture with US-based Himont, the world's largest producer of polypropylene resins, represents for Statoil the single most important step towards achieving its strategy.

Antwerp-based North Sea Petrocbemicals (NSP), the new 50/50 joint venture, is currently building the world's first vertically-integrated polypropylene complex. It will use as feedstock propane supplied by processed gas from Statoil's Gullfaks and Statfjord fields.

Harald Nnrvik: 'prices we obtain for our products may not stay as favourable as in recent years

For Statoil the joint venture provides market access to the European Community (EC), in which Norway is not a member, and will provide the opportunity to bolster expertise by co-operating with one of ths world's leading polypropylene producers and main innovator of the industry's most advanced productioo technology for polypropylene plastic.

Investment in the Antwerp facility is put at NKr1.3bn for each of the partners. The integrated complex will comprise a polypropylene plant, based on propylene - to come on stream next autumn - with a design capacity of 180,000 tonnes.

In addition, NSP will bring on stream in spring 1991 Europe's first dehydrogenation facility with designed output of 400,000 tonnes of polymer grade propylene.

Dehydrogenation is a process which removes hydrogen atoms from propane molecules to produce propylene. Propane and propylene are two different gases used as fuel and as feedstock in the petrochemicals industry while polypropylene is a thermoplastic compound produced by linking propylene molecules into long chains, each containing thousands of atoms.

A second polypropylene unit, with a design capacity of 180,000 tonnes is also under planning and will be built if the market confirms its viability by early-1991.

For Himont, the Antwerp facility is its largest-ever single investment, while for Statoil it is the company's first major petrochemical investment outside Scandinavia.

The deal gives Himont a partner which can provide a steady long-term supply of feedstock - something Himont has been seeking for 30 years. For Statoil it secures a stable market outlet for its propane.

Mr Alexander Giacco, Himont's chief executive, estimates the annual growth rate of polypropylene prodoction in Europe to be 10 per cent.

By 1993 Himont'a investments could reach $1.6bn in new plants, research laboratories and new joint ventures.

Himont currently has 20 per cent of world production capacity for polypropyleoe, or some 1.76 metric tonnes annually. This year investments by Statoil will be about NKr1.5bn, up from NKr500m in 1988, to upgrade and expand capacity at the company's Scandinavian and West German facilities.

In June Statoil, using Himont technology, converted its Norwegian polypropylene plant.

The conversion allows Statoil to prodoce a plastics product for the fina fibre market which produces textiles, carpet, car humpers etc. Production was expanded to 90,000 tonnes and furtber expansion is planned to 120,000 tonnes.

Next June expansion of high density polyethylene is planned to reach 130,000 tonnes by early-1991 at a cost of NKr170m. Consideration is also being given to expanding low density polyethylene production to 190,000 tonnes.

In Sweden ethylene production is heing expanded to 400,000 tonnes, though facilities were modernised last year. In addition, tbs world's largest propane storage cavern will be commissioned next April. In Hamburg compounds production capacity was expanded to 15,000 tonnes while facilities were modernised.

Another scheme, which calls for investment of NKr4bn, comprises a methanol plant to be built in Norway and a MTBE plant to be built possibly in the EC. A decision is expected to be made nsxt spring.

Methanol, an inflammable gas, is the first member of the class of organic compounds known as alcohols. It is used as a fuel for heating and to produce formaldehyde, resins, for glue and plastics.

MTBE is made by reacting methanol with isobutylene and is used as an additive to boost or improve the octane level of unleaded petrol which hurns cleaner than leaded petrol.

Statoil believes the future demand for high-octane and unleaded fuel is set to expand significantly, as environmental concern has pushed countries towards stricter hydrocarbon and nitrogen oxide emissions control legislation.

There are plans by numerous Enropaan petrochemicals producers to expand or build new production capacity, though. If all these plans are realised the market will become glntted, forcing prices to plunge.

"Although markst trend forecasts for petrochemicals indicate a continued growth in demand, the ratio between the prices we obtain for our products will not necessarily stay as favourable as we have seen in the last few years.

"To ensure future profitability, petrochemicals plants must be able to operate with maximum efficiency. Our investments in preventive maintenance, conversions, expansions and new plants will contribute to this," explained Mr Harald Norvik, Statoil's president.

Canada's newsprint groups threatened by recycling laws

By Robert Gibbens in Montreal

CANADIAN FOREST products companies are worried that US State legislation setting a minimum use of recycled newsprint will force them into heavy investments in de-inking plants.

If newsprint markets were still coasting along at the highly profitable level of 1987-88, there would he less concern, but Canadian producers are now battling against problems in a tough market.

They are facing discounts running at around 15 per cent on list prices, while costs are rising at an average 5 per cent annually. In addition the Canadian dollar is np nearly 10 per cent year-on-year against the US currency.

The Canadian concern is centred on a new Californian law which requires publishers to use at least 25 per cent recycled newsprint by 1991 and 50 per cent hy 2000. Other states such as New Jersey, New York, Illinois and Wisconsin will have similar legislation on the books next year, soms of it more stringent than in California.

There are mitigating factors, however, such as a definition that newsprint made with 40 per cent recycled fibre will qualify as recycled newsprint.

Eastern Canada forest products companies, more reliant on standard and up-graded newsprint and business papers than the west, face the prospect of further capital spending just when profits are sliding.

Mr Charles Poissant, chairman of Donohue, Quebec State, probably Canada's lowest cost newsprint producer, said ths pace of change was so rapid it was proving hard to keep up.

Donahue's partners in its Quebec pulp and newsprint operation include Noranda and the New York Times and Gannet, the US publishers. The company is controlled by Quebecor, the Montreal-based publishing and printing group, and Mr Robert Maxwell, the UK publisher

"We're considering a de-inking plant and economics will decide whether it will go beside our newsprint mills near Quebec City or in New Jersey or another state near our customers and the main source of waste newspapers," said Mr Poissant.

But environmental aspects must also be considered, mainly the chemicals from the waste ink.

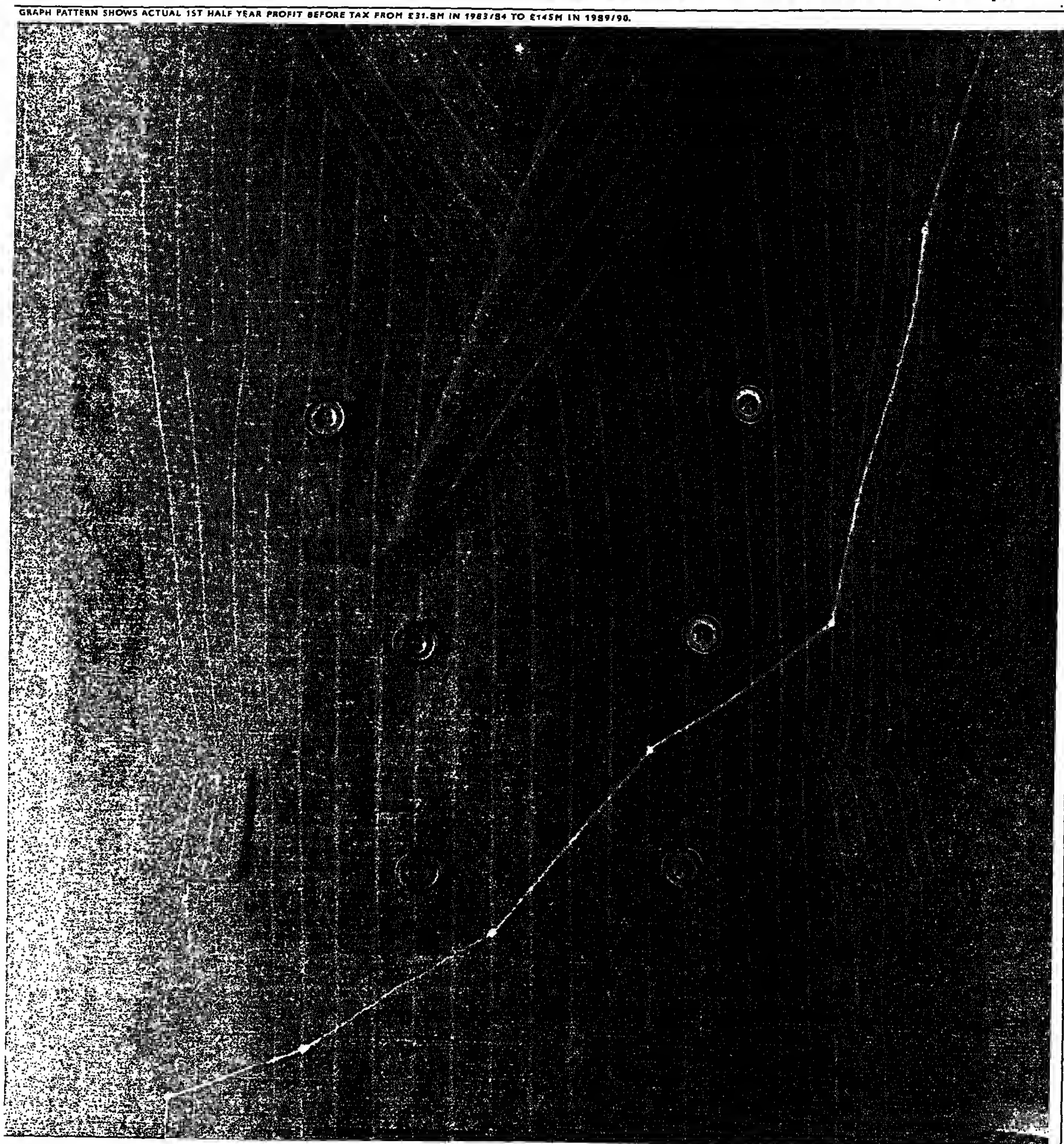
In addition the production of recycled pulp must be balanced with a company's flow of kraft pulp made from virgin fibre in its existing mills.

Donahue will probably take in partners for a de-inking plant. MacMillan Bloedel and Fletcher Challenge Canada are considering projects in the west.

Canadian Pacific Forest products is studying the recycling challenge closely, while Abitibi-Price is believed to be near a decision on a Northern American plant.

Canada has only one mill prodncing newsprint from recycled fibre, though an expensive new recycled pulp and paper project is under way in Ontario. Recycled fibre is used on a small scale for packaging and tissue products.

But Canadian companies, although they might question aspects of the economics of de-inking and recycled pulp, have got the message; recycled fibre is the way of the 1990s.



INTERNATIONAL CAPITAL MARKETS

'Pay in Ecus' scheme fails to take Grand Duchy by storm

Lucy Kellaway on a certain resistance staged by Luxembourg's citizens to the European currency

The man in the street in Luxembourg has been making history this month. While his counterparts in the rest of Europe persist in thinking that the Ecu is some kind of board game, he has been discovering its charms as a means of payment. Since last week, all shops, hotels and restaurants in the Grand Duchy have been quoting their prices in Ecus as well as in Luxembourg francs, and anyone with a Eurocheque or a Visa or Eurocard can settle up in Ecu.

The organisers of the experiment and the banks involved are presenting it as a breakthrough on the way to European monetary union. For years the Ecu has been well known to big savers and to big borrowers – indeed it is now the fifth-largest currency on the international bond markets, with Ecu200bn ($180bn) outstanding.

It is fairly well established as a unit of account, with the European institutions using it widely for their budgets. For the last two years anybody doing consultancy work for the Commission has had their accounts settled in Ecus. However, as a means of payment, the Ecu until now has been a non-starter.

Although the Luxembourg experiment will run only for a month, in theory it could be repeated anywhere in the Community. The processing networks of the credit card companies set up to handle Ecu accounts, and the 15,000 banks participating in Eurocheques, have granted guarantees on cheques for up to Ecu170 each.

However, despite the ability of the international payments system to cope with the Ecu, and despite the assertion by Mr Didier Cahen, president of Eurocitoyen, organiser of the Luxembourg experiment, that it is so far exceeding all expectations, the Ecu does not seem yet to have taken the Grand Duchy entirely by storm.

Luxembourg's old-fashioned Cravate hotel, for example, has been obediently quoting the prices of its rooms in Ecus, but so far nobody has shown any interest. "If the people do not ask me, I just put the right money on their bill," says the receptionist. Down the road at the Royal, three or four brave souls have attempted to pay in Ecu. The manager there sees this as a good start. "We should have notes and coins and then people would believe in it," he says.

Luxembourg's shops and restaurants are quoting prices in Ecus

The slow start comes despite great efforts to encourage people to spend a few Ecus. They are assured that there will be no costs, no foreign exchange commission charged. If that does not persuade them, Ecu spenders in Luxembourg this month are being given tombola tickets and the chance to win an attractive prize.

The Ecu, says Mr Cahen, "possesses all the attributes which, since the days of Aristotle, have been associated with a currency." The problem, however, is getting the man in the street to see it that way.

The difficulty is that the Ecu is not actually a currency at all, but a mere basket. Until there is a central bank issuing Ecus, all the free tombola tickets in the world are not likely to give it wide usage.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅝ 95	600	104⅝	104⅝	0	+0⅜	8.38
Austria 9⅝ 93	140	103¼	103½	0	+0¼	8.43
B.F.C.E. 8¾ 94	175	99⅝	100	−0⅛	+0¼	8.42
B.F.C.E. 9¼ 95	150	103⅛	103⅞	−0⅛	+0⅝	8.45
Brit. Tel. Fin. 9⅝ 98	250	104⅛	104⅝	−0⅝	+0¼	8.65
Canada 9 96	1000	103¾	104¼	−0⅛	+0¼	8.14
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99¾	100	−0¼	0	6.20
Canada 5⅝ 93	80	98¾	99⅛	0	+0½	5.92
Eurofima 5 1995	20	95½	96	+0⅛	+0⅝	5.93
E.I.B. 4⅞ 93	30	96⅝	96⅞	+0⅛	+0½	5.98
Ireland 5⅛ 93	30	96½	97	0	+0¼	6.19
Norway 5⅛ 95	50	96¾	97⅛	0	+0⅝	5.78
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Ranks Hovis 4¾ 03 £	†1/88	3.5	120¾	121¾	+0¾	−1.94
Redland 7¼ 02 £	1/87	5.4	99¾	100¾	−1½	2.53
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	92	93	−0¾	30.75
Silicon Graphics 8 04 US	6/89	23.18	117¼	118¼	+5¾	9.18
Sumitomo Bank 3¼ 04 US	2/89	3097.	81½	82½	−0¼	5.86
Texas Inst. 2¾ 02 US	9/87	82.87	75¾	76¾	+0¼	104.97
Utd.N'papers 8 04	10/89	8.77	109¾	110¾	+0¼	105.78
W.R. Grace 6¼ 02 US	9/87	42.12	90	91	−0½	31.46

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed recurrency of share at conversion rate fixed at issue. Prem=Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV. Pierson,Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Flemming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International, Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; Wallman Int.; S.G. Warburg Securities; Wood Gundy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday November 20, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	63.6626	34.6724	44.0621
Albania	(Lek)	9.9666	6.3929	3.4817	4.4246
Algeria	(Dinar)	12.5983	8.0810	4.4011	5.5930
Andorra	(Fr Fr)	9.7400	6.2475	3.4026	4.3240
	(Sp Peseta)	184.05	118.0564	64.2969	81.7092
Angola	(Kwanza)	47.858u	29.9180	16.7189	21.2466
Antigua	(E Carr $)	4.20	2.6940	1.4672	1.8645
Argentina	(Austral)	1011.75	648.9608	353.4427	449.1587
Aruba	(Florin)	2.7834u	1.7900	0.9723	1.2356
Australia	(Aus $)	1.9965	1.2806	0.6974	0.8863
[illegible]					
Falkland Is	(Falk £)	1.00	0.6414	0.3493	0.4439
Faroe Is	(Danish Kroner)	11.1275	7.1375	3.8873	4.9400
Fiji Is	(Fiji $)	2.3500	1.5073	0.8209	1.0432
Finland	(Markka)	6.6500	4.2655	2.3231	2.9522
France	(Fr)	9.7400	6.2475	3.4026	4.3240
Fr. Cty/Africa	(CFA Fr)	487.00	312.3797	170.1310	216.2042
Fr. Guiana	(Local Fr)	9.7400	6.2475	3.4026	4.3240
Fr. Pacific Is	(CFP Fr)	174.00	111.6100	60.7860	77.2475

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gabon	(CFA Fr)	487.00	312.3797	170.1310	216.2042
Gambia	(Dalasi)	11.8786	7.6193	4.1497	5.2735
Germany East	(Ostmark)	2.8625	1.8361	1	1.2708
Germany West	(D Mark)	2.8625	1.8361	1	1.2708
Ghana	(Cedi)	458.79	294.2847	160.2759	203.6803
Gibraltar	(Gib £)	1.00	0.6414	0.3493	0.4439
Greece	(Drachma)	258.35	165.7152	90.2532	114.6947
Greenland	(Danish Krone)	11.1275	7.1375	3.8873	4.9400
Grenada	(E Carr $)	4.20	2.6940	1.4672	1.8645
Guadaloupe	(Local Fr)	9.7400	6.2475	3.4026	4.3240
Guam	(US $)	1.5590	1	0.5446	0.6921
[illegible]					
Namibia	(S A Rand)	4.0965	2.6276	1.4310	1.8186
Nauru Is	(Australian $)	1.9965	1.2806	0.6974	0.8863
Nepal	(Nepalese Rupee)	37.32	23.9384	13.0375	16.5682
Netherlands	(Guilder)	3.2275	2.0702	1.1275	1.4328
N'nd Antilles	(A/Guilder)	2.7990u	1.8000	0.9778	1.2426
New Zealand	(NZ $)	2.6445	1.6962	0.9238	1.1740
Nicaragua	(Cordoba)	33153.45	21265.8434	11581.9912	14718.5127
Niger Rep	(CFA Fr)	487.00	312.3797	170.1310	216.2042
Nigeria	(Naira)	11.5848	7.4309	4.0470	5.1430
Norway	(Nor. Krone)	10.7800	6.9146	3.7659	4.7857
Oman	(Rial Omani)	0.6026	0.3865	0.2105	0.2675

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	32.80	21.0391	11.4585	14.5615
Panama	(Balboa)	1.5590	1	0.5446	0.6921
Papua New Guinea	(Kina)	1.1562	0.7416	0.4039	0.5132
Paraguay	(Guarani)	1839.78	1180.1026	642.7179	816.7724
Peru	(Inti)	12337.50‡	7913.7267	4310.0436	5477.2475
Philippines	(Peso)	33.20	21.2957	11.5982	14.7391
Pitcairn Is	(£ Sterling)	1.00	0.6414	0.3493	0.4439
	(NZ $)	2.6445	1.6962	0.9238	1.1740
Poland	(Zloty)	5380.60	3451.3149	1879.6855	2388.7236
Portugal	(Escudo)	246.95	158.4028	86.2707	109.6337
[illegible]					
Virgin Is-British	(US $)	1.5590	1	0.5446	0.6921
Virgin Is-US	(US $)	1.5590	1	0.5446	0.6921
Western Samoa	(Tala)	3.6377	2.3333	1.2708	1.6149
Yemen	(Rial)	15.1613	9.7250	5.2965	6.7308
Yemen PDR	(Dinar)	0.5334u	0.3430	0.1863	0.2368
Yugoslavia	(Dinar)	100411.00	64407.3123	35078.0786	44577.5804
Zaire Rep	(Zaire)	704.49	451.8858	246.1100	312.7591
Zambia	(Kwacha)	29.00	18.6016	10.1310	12.8745
Zimbabwe	($)	3.5350	2.2674	1.2349	1.5693

Special Drawing Rights November 17, 1989 United Kingdom £.23575 United States $1.27315 Germany West D Mark 2.34451 Japan Yen183.397 European Currency Unit Rates November 20,1989 United Kingdom £1.40300 United States $1.11083 Germany West D Mark 2.04648 Japan Yen160.570

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday November 20, 1989. ‡Peru devalued by 25%.

Gilts tumble as sterling runs into selling pressure

By Deborah Hargreaves in London and Janet Bush in New York

IT WAS a nervous day for the UK government bond market as gilts followed a weak pound downwards. After sterling had opened weaker against the D-Mark and the US dollar, UK gilts drifted lower in a thin market.

The Bank of England sterling index opened at 87.5 to reach a low of 87.4 by lunchtime and the movement triggered a decline of around ¼ point in the benchmark long-dated gilt.

GOVERNMENT BONDS

The release yesterday of UK money supply and bank lending figures was largely ignored by the jittery market even though they were better than expected.

The market is likely to remain nervous and uncertain ahead of the release of the UK trade figures which, along with inflation, has been the bond markets' and the government's biggest economic headache this year. The October trade numbers are due for release on Thursday: for September the current account was £1.64bn in the red.

"Gilt market sentiment is awful because we're in almost a total vacuum on government policy with fiscal policy relaxed and no apparent adherence to monetary targets," said Mr David Cross, head of gilts sales at James Capel.

The UK gilts market is concerned about inflation as well as the falling value of sterling. Longer-dated gilts closed with declines of six ticks in a subdued market.

Some gilt activity was focused on the futures market where trading volume of around 15,000 contracts was quite high. Traders expect the market to slow down ahead of public holidays in West Germany and the US later this week.

■ BUND FUTURES on the London International Financial Futures Exchange had a volatile day as traders remained concerned about the inflationary effect the upheaval in Eastern Europe might have on the West German economy.

After opening up at 90.23 in the first half-hour's trading, the December bund futures contract closed at a record low of 90.07 as some selling pressure seeped in from the US market. However, trading volume in bund futures was extremely thin as many traders sat out the market in advance of Wednesday's national holiday.

Trading in the cash market was also sparse. "I would be surprised if we see anything more than thin trading and a sheer nervousness of tone this week," said Mr Neville Quie at Salomon.

■ THE JAPANESE bond market remained subdued as the yen succumbed to some downward pressure. There continues to be some fear of a hike in the Japanese prime rate next week.

However, for the most part traders remain in limbo as the market prepares for a holiday later this week.

■ US TREASURY bonds traded sharply higher on reports of a planned cut in US defence spending, but some of those gains had been lost by the New York midsession.

In overseas trading, the benchmark long bond had been quoted as much as ½ point higher but had slipped back to stand ⅛ point higher at midsession for a yield of 7.91 per cent.

Bonds had fallen by as much as ¾ point last Friday as the market struggled to digest the issues sold during the quarterly refunding as well as a $4bn Tennessee Valley Authority bond sale.

Yesterday's improved performance was partly in reaction to Friday's losses and partly in response to comments at the weekend by Mr Dick Cheney, Defence Secretary, that he planned to cut Pentagon spending next year because the chance of an all-out conflict with the Soviet Union was probably now lower than at any time since the Second World War.

That lifted hopes that the budget deficit would be narrowed, although any significant impact would come over a number of years and any cuts in the defence budget would probably be compensated for in additional spending in other areas.

The long-term and tentative nature of any potential impact on the budget deficit meant that the boost to bond prices was short-lived and modest.

There was no significant economic news yesterday. Today, consumer prices data are due to be published for October. The CPI is expected to have risen by around 0.5 per cent compared with the gain of 0.2 per cent in September.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	103-23	-7/32	11.90	11.51	11.58
		9.750	1/98	94-09	-6/32	10.82	10.67	10.63
		9.000	10/08	92-14	-4/32	9.89	9.74	9.66
US TREASURY *		8.000	8/99	100-04	+4/32	7.98	7.95	7.82
		8.125	8/19	102-11	-7/32	7.92	7.82	7.94
JAPAN	No 111	4.800	6/98	94.5318	-0.219	6.54	5.59	5.38
	No 2	5.700	3/07	101.3253	-0.269	5.56	5.63	5.21
GERMANY		6.750	6/99	95.2500	+0.050	7.45	7.46	7.01
FRANCE	BTAN	8.000	7/94	93.6881	-0.084	9.73	8.82	9.24
	OAT	8.125	5/98	93.7500	-0.280	9.12	9.05	8.79
CANADA *		9.500	10/98	100.0750	+0.075	9.48	9.48	9.46
NETHERLANDS		7.250	7/99	95.9500	-0.290	7.86	7.80	7.41
AUSTRALIA		12.000	7/99	93.0048	-0.100	13.30	13.35	13.70

London closing. *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Eurobond new issues struggle to make progress in dull trading

By Andrew Freeman

EUROBOND MARKETS had a depressing day yesterday, with recent new issues struggling to hold their levels and fairly-priced new deals finding it hard to make progress.

The secondary market in Eurodollar bonds moved up around ⅜ point in the morning session, before falling by the same amount, ending at Friday's closing levels. Last week's GMAC $500m issue closed at 99½ bid, a spread of 91 basis points over Treasuries.

INTERNATIONAL BONDS

Against that changing background, Paribas Capital Markets was the lead manager of a $200m seven-year deal for Nippon Telegraph & Telephone. The bonds offered an 8½ per cent coupon and were priced at 101½ to yield 59 basis points over the equivalent US Treasury.

The issue, which was syndicated along traditional lines, was judged by dealers as fairly priced, but this did little to help it on a day when the mood turned against fixed-income instruments. After opening well inside fees at less 1.80 bid, the bonds moved lower through the day to close outside fees at less 1.92 bid.

Nevertheless, Paribas was upbeat, pointing out that the spread over Treasuries had tightened from launch to around 56 basis points at the close.

It is understood that the proceeds were swapped into fixed-rate yen, with Paribas conducting an initial leg into floating-rate US dollars.

Bankers Trust found a borrower to exploit a wide arbitrage window in the Ecu sector, bringing Swedish Export Credit (SEK) with an Ecu100m five-year deal. The bonds offered an attractive yield of 9¾ per cent at less full fees.

The paper traded on fees at less 1½ bid. Traders said the bonds would sell slowly, but worried that any new Ecu issues might hinder its placement.

A Bankers official said the deal was driven by a fine swap into floating-rate US dollars.

Swap dealers said the funding rate achieved would have been around 50 basis points below Libor, under SEK's most aggressive targets of more like 70 basis points below Libor.

A C$150m seven-year deal was brought by Wood Gundy for Tokyo Electric Power with a 10⅝ per cent coupon. The bonds traded outside fees at less 2 bid, but maintained their 88 basis point launch spread over Canadian government bonds. Proceeds were swapped into yen via floating-rate US dollars.

In Switzerland yesterday, most recent new issues came under pressure in the primary market, losing around ¼ point, with some deals falling by up to ½ point as traders blamed over-supply.

UBS brought a SFr100m five-year deal for Credit Local with a 6½ per cent coupon. The bonds were quoted at less 1½ bid, indicating a steady reception. SBC declined to participate in the deal.

A SFr75m issue for Bührmann-Tetterode, the Dutch printing, paper and packaging group, also tapped the five-year maturity via UBS. The bonds were trading at less 1¼ bid.

In Germany, the recent EIB DM400m regained some of Friday's 30 pfennig fall to close at 98.70 bid, according to Deutsche Bank, the lead manager.

● Finland's Amer Group is launching simultaneously two syndicated bank financings totalling $155m.

Wilson Sporting Goods and Amer have mandated Manufacturers Hanover to raise $55m in a short-term revolving credit with an 11-month maturity and a 12½ basis point margin.

At the same time, Amer has asked Swiss Bank to arrange a $100m, five-year term loan with a margin of 17½ basis points.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Nippon Tel. & Tel.(a)♦	200	8½	101½	1996	1⅞/1¼	Paribas Capital Markets
Penta-Ocean Constr.(b)#♦	100	3¼	100	1993	2¼/1½	Yamaichi Int. (Europe)
CANADIAN DOLLARS						
Tokyo Electric Power Co.(a)♦	150	10⅝	101.30	1996	1⅞/1¼	Wood Gundy
ECUs						
Swedish Export Credit(a)♦	100	9¾	101⅞	1994	1⅞/1¼	Bankers Trust Int.
Kredietbank Int.Fin.(c)♦	75	11	101.65	1990	1/⅛	Kredietbank Int.
D-MARKS						
Takashimaya Co.#	300	(1⅝)	100	1993	2¼/1⅞	Nomura Europe
SWISS FRANCS						
Credit Local de France(a)♦	100	6½	101½	1995	n/a	UBS
Bührmann-Tetterode NV(a)★★♦	75	6½	100½	1994	n/a	UBS
YEN						
Swedbank♦	10bn	6.35	101	1992	1⅛/⅝	Yamaichi Int. (Europe)

★★Private placement. #With equity warrants. ♦Final terms. a) Non-callable. b) Coupon cut by ⅛% from indication. c) Issue increased from Ecu50m.

Switzerland 'likely to find it harder to attract finance'

SWITZERLAND RISKS losing its relative advantages as a financial centre because of changes in other countries, said Mr Markus Lusser, president of the Swiss central bank, Reuter reports.

Mr Lusser said Switzerland could no longer rely on its safe-haven status for attracting funds as other countries brought down inflation, deregulated financial markets and cut taxes.

"In this recent trend of deregulation and tax reduction, in relative terms Switzerland may stand in danger of losing its advantages."

Addressing the Swiss Chamber of Commerce, Mr Lusser said the franc's role as an international currency was questioned repeatedly, since it had often gained in the past at the expense of a weak dollar or currencies of countries with high inflation rates.

"Even if recent evidence may show a certain reversal of these trends, the Swiss franc continues to enjoy the status of an international currency, along with several other currencies," he said.

He noted that the Swiss franc ranked second only to the US dollar in new international bond issues in 1987 and 1988 and constituted 10 per cent of all World Bank funding.

Mr Lusser said Switzerland could not become a member or associate member of the European Monetary System (EMS) as long as it did not join the European Community. "I would not like to be dependent on a monetary policy set for Switzerland without being able to influence it," he said.

He said he would not like Switzerland to be linked to the EMS as long as it was not clear that all EMS members were ready for a final monetary policy target of zero inflation.

"I would rather believe that some of them would have somewhere around 3 or 4 per cent inflation as the target of their monetary policy," Mr Lusser said.

He reiterated that the central bank was ready to keep its rule that all Swiss franc-denominated bond issues should be lead managed by Swiss-domiciled banks as long as the Swiss stamp duty on securities transactions remained.

Fund managers shifting out of gilts, survey shows

By Deborah Hargreaves

INTERNATIONAL BOND markets have seen a drastic move to reduce investor exposure to UK gilts in the past three months, according to a survey conducted by Merrill Lynch of bond portfolio managers in five leading financial centres around the world.

The survey of 59 bond managers shows a shift out of gilts since August, when 57 per cent of the survey's respondents preferred a fairly heavy UK bond weighting for their portfolios. By November, 30 per cent preferred a sizeable exposure to gilts.

Merrill Lynch's survey reports a simultaneous reduction of a similar size in the sterling content of the international bond portfolios. The shift of emphasis from the UK is attributed to continuing concern about trade and current account deficits in the UK.

Much of the flow from sterling and gilts appears to have gone into the D-Mark and German bonds to take advantage of the sharply higher yields in West Germany.

With the upheaval in East Germany, portfolio managers are expecting a combination of expansive West German fiscal policy and tight monetary policy to drive up the D-Mark. This could lead to further strains within the European Monetary System and a push for an EMS realignment. This has prompted a slight shift away from other European currencies into D-Marks.

In addition, international bond managers have shown a slight shift into Japanese government bonds at the expense of previous under-exposure.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday November 20 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Nov 17 Index No.	Thu Nov 16 Index No.	Wed Nov 15 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (205)	859.68	-1.6	13.16	4.95	9.31	28.51	874.07	871.36	874.32	813.57
2 Building Materials (28)	1042.52	-1.1	15.27	5.39	8.16	35.83	1053.78	1045.88	1045.79	1013.53
3 Contracting, Construction (37)	1395.36	-2.1	17.77	5.54	7.38	56.84	1425.86	1391.54	1392.52	1357.74
4 Electricals (10)	2437.35	-2.3	11.28	5.18	11.22	83.50	2495.56	2502.98	2506.72	2414.83
5 Electronics (30)	1873.83	-2.6	9.83	3.89	13.10	51.97	1923.64	1925.70	1932.72	1795.18
6 Mechanical Engineering (53)	455.35	-2.2	12.43	5.02	9.80	14.50	465.63	461.43	466.41	427.55
8 Metals and Metal Forming (6)	455.85	-0.9	25.86	6.57	4.36	16.13	460.17	459.96	459.21	544.54
9 Motors (17)	351.87	-1.6	11.46	4.96	10.28	11.79	357.70	356.62	358.85	279.88
10 Other Industrial Materials (24)	1588.34	-1.6	10.44	4.73	11.79	54.87	1613.27	1599.42	1523.40	1346.50
21 CONSUMER GROUP (187)	1232.09	-1.6	8.95	3.62	14.85	29.55	1252.74	1248.97	1249.92	1066.59
22 Brewers and Distillers (23)	1386.48	-1.1	9.44	3.55	13.36	28.12	1401.98	1401.54	1397.67	1140.48
25 Food Manufacturing (20)	1185.22	-1.1	9.41	4.08	13.41	25.81	1182.85	1194.47	1195.24	925.87
26 Food Retailing (15)	2234.11	-2.8	9.37	3.18	14.09	44.99	2300.83	2289.93	2297.78	1849.78
27 Health and Household (14)	2484.43	-1.4	6.34	1.95	18.79	41.91	2520.93	2512.03	2526.74	1838.15
29 Leisure (35)	1836.28	-2.1	8.38	3.73	14.61	41.11	1588.31	1578.49	1557.93	1417.18
31 Packaging & Paper (14)	525.92	-1.3	12.54	5.51	9.99	17.47	538.05	529.54	529.96	546.31
32 Publishing & Printing (18)	3377.69	-1.0	8.74	4.89	14.79	118.23	3414.66	3414.15	3411.19	3440.39
34 Stores (32)	747.12	-2.5	11.48	4.96	11.35	24.22	766.56	778.17	775.86	680.68
35 Textiles (14)	502.00	-1.1	10.76	4.69	11.28	18.11	507.56	506.88	507.26	493.51
40 OTHER GROUPS (95)	1107.15	-1.4	10.69	4.60	11.28	27.82	1122.77	1116.76	1108.51	964.28
41 Agencies (17)	1490.62	-1.6	7.80	2.69	17.42	26.28	1494.85	1481.86	1481.09	1068.51
42 Chemicals (22)	1156.25	-0.9	13.62	5.48	9.24	43.57	1176.72	1172.48	1177.37	1122.97
43 Conglomerates (14)	1385.87	-1.9	10.78	5.38	10.95	34.25	1413.09	1601.80	1602.25	1246.13
45 Transport (13)	2124.37	-0.4	11.85	4.44	11.59	57.65	2133.31	2113.05	2101.11	1938.99
47 Telephone Networks (2)	1297.24	-1.1	12.50	4.44	11.37	22.38	1312.91	1185.17	1077.85	911.68
48 Miscellaneous (27)	1832.08	-1.6	9.41	4.48	12.00	45.43	1862.33	1865.58	1854.22	1217.82
49 INDUSTRIAL GROUP (485)	1113.94	-1.6	10.52	4.26	11.73	29.48	1131.74	1127.54	1126.44	948.62
51 Oil & Gas (15)	2159.57	-0.7	10.43	5.31	13.16	96.48	2175.12	2156.28	2150.95	1788.16
59 500 SHARE INDEX (500)	1201.62	-1.5	10.45	4.41	11.91	35.10	1219.39	1212.41	1211.83	1031.77
61 FINANCIAL GROUP (121)	769.66	-1.9	–	5.46	–	28.61	784.79	779.22	776.87	633.23
62 Banks (9)	797.44	-2.7	21.63	6.27	6.08	35.17	819.61	804.87	798.84	667.74
65 Insurance (Life) (8)	1262.71	-2.1	–	5.26	–	47.56	1290.89	1288.74	1274.34	933.98
66 Insurance (Composite) (7)	635.55	-2.8	–	5.95	–	26.99	647.41	646.98	640.83	511.74
67 Insurance (Brokers) (7)	1068.39	-1.2	7.06	5.88	18.35	45.26	1081.13	1073.02	1068.14	884.43
68 Merchant Banks (11)	421.69	-1.3	–	4.81	–	9.70	427.22	423.67	422.25	339.29
69 Property (49)	1154.37	-1.1	7.05	3.65	16.18	23.54	1166.85	1170.46	1172.37	1262.21
70 Other Financial (30)	320.23	-0.9	12.73	6.70	10.29	14.48	322.99	321.09	321.24	308.44
71 Investment Trusts (69)	1206.88	-0.4	–	2.88	–	22.73	1211.17	1208.61	1204.75	929.88
81 Mining Finance (2)	677.48	-1.5	11.02	3.98	10.20	22.25	687.75	698.32	696.73	549.23
91 Overseas Traders (7)	1574.99	-0.8	10.85	5.88	11.48	54.79	1585.95	1581.56	1584.84	1365.93
99 ALL-SHARE INDEX (698)	1098.62	-1.5	–	4.53	–	33.25	1115.15	1110.00	1107.37	945.99

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Year ago
FT-SE 100 SHARE INDEX♦	2183.1	-38.3	2228.3	2183.1	2221.4	2209.8	2205.4	2214.7	2213.2	1811.3

FIXED INTEREST

PRICE INDICES	Mon Nov 20	Day's change %	Fri Nov 17	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	116.55	-0.09	116.65	–	10.50
2 5-15 years	129.44	-0.20	129.69	–	11.60
3 Over 15 years	137.50	-0.29	137.90	–	12.71
4 Irredeemables	155.25	-0.33	155.76	–	13.42
5 All stocks	127.61	-0.17	127.83	–	11.52
Index-Linked					
6 Up to 5 years	139.78	-0.25	140.13	–	2.79
7 Over 5 years	137.89	-0.45	138.51	–	3.21
8 All stocks	137.91	-0.43	138.51	–	3.15
9 Debentures & Loans	106.64	-0.67	107.36	–	9.39
10 Preference	85.31	-0.24	85.51	–	5.26

AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 20	Fri Nov 17	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.11	10.05	9.88
2	15 years	9.82	9.78	9.34
3	25 years	9.71	9.71	9.07
4 Medium Coupons	5 years	11.25	11.20	10.25
5	15 years	10.21	10.17	9.57
6	25 years	9.86	9.82	9.22
7 High Coupons	5 years	11.37	11.32	10.39
8	15 years	10.41	10.38	9.69
9	25 years	10.00	9.96	9.24
10 Irredeemables		9.82	9.78	8.88
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.76	3.47	3.24
12 Inflation rate 5%	Over 5 yrs	3.69	3.66	3.48
13 Inflation rate 10%	Up to 5yrs	2.86	2.76	2.02
14 Inflation rate 10%	Over 5yrs	3.51	3.47	3.51
15 Debs & Loans	5 years	12.59	12.59	11.31
16	15 years	12.09	12.01	11.05
17	25 years	12.09	12.01	10.78
18 Preference		10.75	10.73	10.25

♦Opening index 2220.3; 10 am 2207.3; 11 am 2199.8; Noon 2196.3; 1 pm 2198.3; 2 pm 2200.2; 3 pm 2197.6; 3.30 pm 2193.9; 4 pm 2191.2 (a) 9.00am (b) 4.58pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
DEBENTURE CONSTITUENT CHANGE: British Investment Trust 11¼% 2012 has been inserted.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	97	5
Corporations, Dominion and Foreign Bonds	2	10	31
Industrials	212	601	786
Financial and Properties	87	252	338
Oils	17	34	42
Plantations	0	0	9
Mines	66	18	82
Others	85	37	126
Totals	469	1,049	1,419

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Nov 6
- Last Dealings Dec 1
- Last Declarations Feb 22
- For settlement Mar 5

For rate indications see end of London Share Service

Calls in UTC, Global Grp., S.W. Wood, Hobsons, Tuskar Res., Rosebaugh, Aviva Pet. Call and Put in Premier Cons. Put in Ferranti Int. Signal.

LONDON TRADED OPTIONS

THE LONDON Traded Options Market enjoyed its busiest day for some time yesterday as the market faced strong selling pressure in the FT-SE 100 index option. Volume on the LTOM at 37,284 contracts was up by at least 10,000 lots on recent dismal trading. Volume yesterday was concentrated on call options, which traded 21,447 lots compared with 15,837 put options.

Strong sales of the FT-SE 100 index option saw volume increase to 15,687 lots, with 8,482 calls changing hands and 7,215 puts traded.

Individual stock options were not as active as the FT-SE 100, but British Gas saw volume of 1,817, with 1,762 put options changing hands compared with 55 calls.

British Telecom also experienced a high volume, with 1,772 lots traded, 1,047 in call options and 725 in puts. The most active series in BT was the November 240 call option which traded 760 lots.

Ferranti was the third most active stock option, with volume reaching 1,888 lots, most of them in put options where 1,026 contracts traded against 842 calls.

General Electric traded 1,656 options almost evenly divided between puts and calls – 903 and 753 respectively. The most active series in GEC was the February 200 put, which traded 508 contracts.

Racal was the fifth most active stock option and traded 1,083 contracts, with 1,073 calls changing hands and only 10 puts.

Exchange open interest grew to 849,840 on Friday as volume picked up over the last few days. Open interest in the FT-SE 100 has increased to 120,527.

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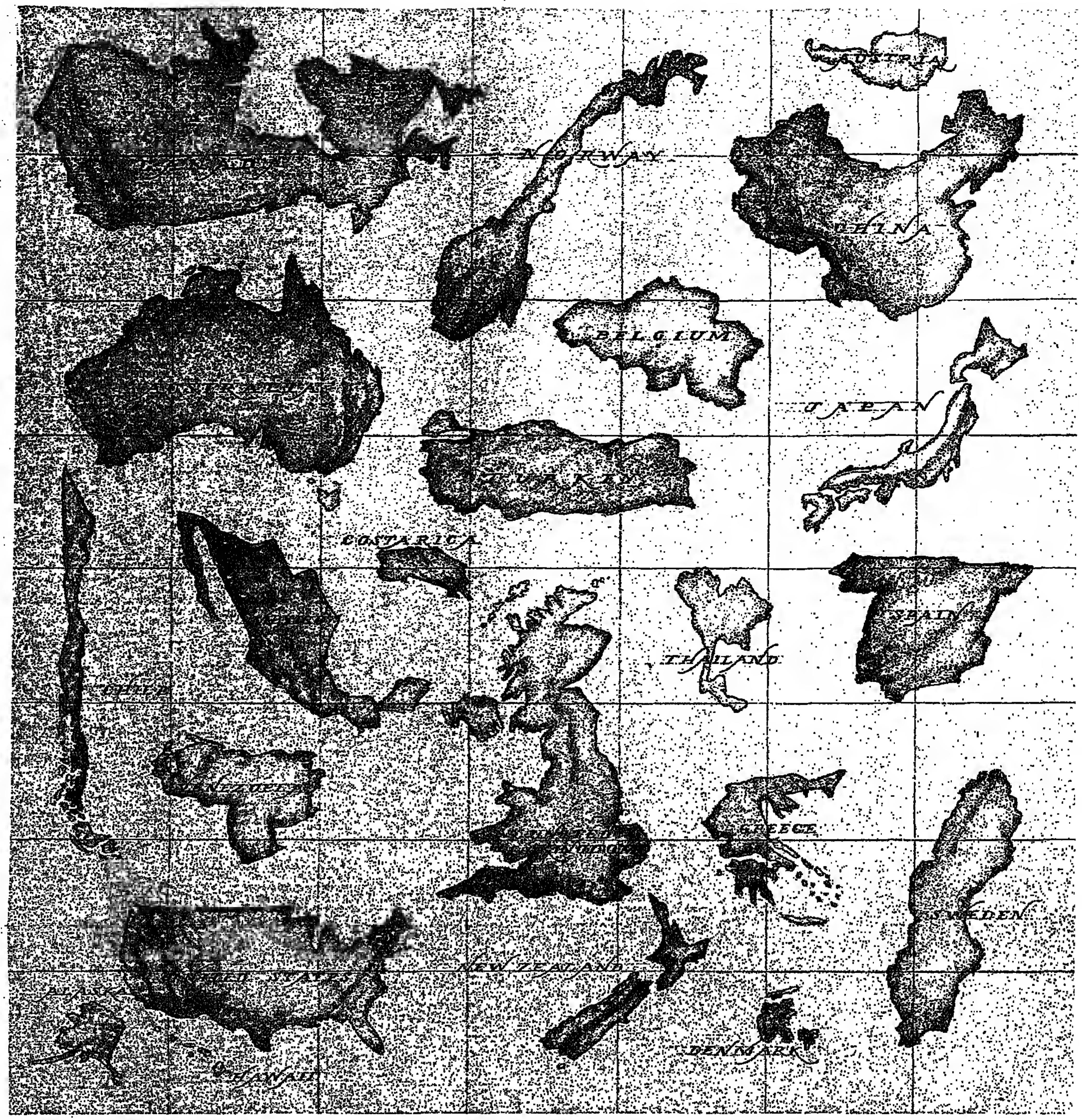

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UK COMPANY NEWS

Advances in all geographical markets underpin all-round growth

'Recession-resistant' BET rises to £144.8m

By Clay Harris

BET, the international services group, increased pre-tax profits by 20 per cent from £120.2m to £144.8m in the six months to September 30. Earnings per share grew by a more modest 10.5 per cent and the shares closed 1p lower at 261p.

Mr Nicholas Wills, chief executive, was optimistic yesterday about the immediate outlook. "No one is recession-proof," he said. "We are recession-resistant."

Support services, BET's main activity, increased operating profits by 26 per cent to £152.9m (£121.1m). Organic growth contributed 42 per cent of the advance, with the rest coming from acquisitions, on which BET spent £94m in the half.

Group revenues rose by 17 per cent to £1.25bn (£1.07bn). Of the total, 68 per cent arose in the UK, 11.7 per cent elsewhere in Europe, nearly 15 per cent in North America and 5.3 per cent in other regions.

North America, in which the most money was spent on acquisitions, more than doubled profits to £15.6m. The

OPERATING PROFIT BY ACTIVITY (£m)	Half year to Sep 89	Half year to Sep 88
Textile rental/washroom services	213.1	188.8
Cleaning services	156.4	93.8
Waste services	34.8	24.7
Distribution services	219.7	172.0
Scaffolding and plant hire services	229.2	165.8
Specialist construction services	146.8	129.6
Property improvement services	151.6	161.6
Security and communication services	53.6	40.5
Total support services	1,208.2	976.8
Thames Television	48.4	36.2
Total continuing operations	1,254.6	1,012.8
Discontinued operations		54.3
Total	1,254.6	1,066.3

UK's contribution rose by nearly 21 per cent to £119.3m, the rest of Europe came out 30 per cent higher at £13.4m, and other regions were 16.4 per cent ahead at £9.2m.

Of the support services businesses, all except one achieved higher results; those involved in property improvement saw profits slip to £22.5m (£22.9m).

However, BET described this a satisfactory outcome considering the unfavourable market conditions and said it had recently sold the worst affected business, involved in direct sales of kitchens, leading to a £1m extraordinary debit.

BET also emphasised that order books for its scaffolding and plant-hire activities were little affected by the downturn in UK commercial construction and housebuilding. Most business came from industrial and infrastructure construction projects and from petrochemical and industrial maintenance.

Alan Harper

Nicholas Wills: does not regard Thames stake as a core activity

BET's 28.74 per cent stake in Thames Television contributed profits of £4.5m (£3.6m). Mr Wills said BET did not view the shareholding, which yesterday had a market value of £68.8m, as a core activity, implying that it might be sold if broadcasting rules were relaxed to allow a change of control during the life of a franchise.

On earnings per share of 12.6p (11.4p), the interim dividend is 4p (3.5p).

See Lex

BAT hearings postponed

By Nikki Tait

HEARINGS BY the US state insurance commissioners of the application by Axa-Midi Assurance, the French-based insurance company to take over Farmers Group, BAT Industries' US insurance subsidiary, will not now take place before the New Year.

Hoylake, the consortium headed by Sir James Goldsmith, has lined up Axa as the buyer of Farmers should it make a renewed and successful bid for BAT. Both Hoylake and Axa, however, require permission from nine state insurance commissioners before control of Farmers can change. Hoylake lapsed its initial bid for BAT earlier this autumn in order to pursue these clearances.

In the wake of recent heart surgery on Mr Claude Bébéar, who heads Axa-Midi, the hearings before the Idaho commissioners – which was due to take place in early-December – have been postponed until after the end of the year. The commissioner's lawyers' office suggested yesterday that this might not start until February, but added that no timetable had yet been fixed.

In Illinois, where proceedings were orginally due to start yesterday, the Insurance Department decided yesterday that that the Axa-Midi element of the hearing should be delayed until mid-January, but that Hoylake should begin testimony before November 28.

In London, meanwhile, BAT said that it sympathised with Mr Bébéar's indisposition, but added the subsequent problem of the hearings "does suggest that Axa is something of a one-man band." The point was emphasised by Farmers: "This latest turn of events only increases our concern that Axa-Midi lacks the necessary financial and mangerial depth to operate Farmers."

Postponements may also be necessary in Washington and Oregon. California is expected to start in January. No hearing dates are fixed in Arizona, Kansas, Ohio and Texas.

Celltech ripe for bid as B&C puts 36% stake up for sale

By Peter Marsh

THE PROSPECT of a takeover tussle for Celltech, a leading UK biotechnology company, loomed last night after British & Commonwealth Holdings said it planned to sell its 36 per cent stake in the group. B&C, a financial services company, said the decision reflected a desire to switch away from "non-core" businesses.

It is believed that B&C would like to sell its stake to a single buyer on the grounds that it would stand to gain a better price. In that case, a buyer would have to make a full bid for Celltech.

The privately-owned Celltech, set up in 1980, made a pre-tax profit last year of £125,000 on sales of £16.6m. It is involved in a range of novel production techniques using recent ideas in biology and is also developing new biotechnology-derived drugs, which the company hopes will go on sale in the early 1990s.

Analysts said yesterday that Celltech might be of considerable interest to chemicals and biotechnology groups which had a foothold in healthcare and which wanted to expand, especially in areas where Celltech is strong such as in fermentation technologies.

At the centre of the speculation are possible bidders were Akzo of the Netherlands and BASF and Hoechst of West Germany, both of which are keen to build up their drugs interests. It is also thought that Japanese pharmaceuticals companies such as Chugai or Yamanouchi – which have recently expressed an interest in strengthening their presence in Europe – might be looking closely at Celltech.

Another view, however, was that Celltech has grown more slowly than many observers had hoped and this might diminish the interest of potential investors. "It is true that Celltech has been making steady progress, but some other biotechnology companies, in the US for instance, have developed much more quickly," said one healthcare analyst.

Pharmaceutical industry observers said it was very hard to put a value on Celltech because it was making only minimal profits and because of the general uncertainties over the extent to which biotechnology will lead to innovative new products for the chemicals and drugs industries.

B&C said it could not say how much it hoped to raise through selling its holding. One analyst said he thought the stake might be worth about £40m, roughly the same as two years ago – the last time significant numbers of shares changed hands.

Celltech gains most of its revenues either from payments from companies with which it is working on research projects or from contract-manufacturing services, particularly involving fermentation technologies. It has close research and manufacturing links with a number of big pharmaceuticals groups, including Merck and Johnson & Johnson of the US and the Swiss-based Ares-Serono. Companies such as these might also be interested in bidding for the group.

Celltech's other main shareholders apart from B&C include the Prudential, which has 15 per cent, and Midland Bank, which owns 7 per cent.

The share sale is being handled by Baring Brothers, Celltech's merchant bank.

EMAP improves to £13.4m in 'difficult trading conditions'

By Raymond Snoddy

EMAP, the magazine, newspaper and exhibitions group, yesterday announced a rise in pre-tax profits of 19 per cent to £13.37m for the six months to end-September 1989.

The improvement came in spite of what Sir Frank Rogers, chairman, described as "increasingly difficult trading conditions", particularly in the company's newspaper division.

"Nonetheless, our revenue is ahead of last year and will continue to be so," he said.

Publishing analysts said they were looking for £39m-£40m pre-tax for the full year, although EMAP itself is more cautious because it is impossible to predict the depth of any recession in the advertising market.

Turnover rose from £105.64m to £122.18m. Earnings per share increased by 18.9 per cent to 6.3p and the interim dividend is lifted to 1.72p, representing a rise of 20.3 per cent.

Mr Robin Miller, group chief executive, emphasised the strong performance of the consumer magazine division, which had 18 titles in the top 100 consumer magazines.

EMAP claims leadership in 75 per cent of its markets and one of its main strategies has been to emphasise the importance of this market leadership in each of its activities.

"The strongest position in any economic downturn is that of market leader, and EMAP is particularly well positioned in the publishing sector," Sir Frank said.

COMMENT

EMAP results showed little sign of "the increasingly difficult trading conditions" publishing companies are undoubtedly facing. The policy of striving for market leadership across a wide range of its magazines has helped. Even in the newspaper market EMAP has newspapers in 19 of the 66 towns now declared areas of full employment. Second half results are also underpinned by the success of the exhibition division where a high proportion of space has already been booked. The more difficult trading outlook will tend to hold back expensive new launches, but the company is still in the market for acquisitions – though "not at 1988 prices," Sir Frank Rogers emphasises. Full year earnings of about £39m will result in a p/e multiple approaching 11.

Canada Malting into Europe with Tate buy

By Clay Harris

CANADA MALTING, the world's largest independent producer and supplier of malt, is making its first step into Europe with the £44.2m acquisition of Hugh Baird & Sons, the malting subsidiary of Tate & Lyle, the UK sweeteners group.

Tate acquired Baird, which produces about 120,000 tonnes of malt at plants in Essex and Scotland, through the takeover of UK cane refining rival Manbré and Garton in 1976.

Baird made record pre-tax profits of £3.1m in the year to September 30, against £2.5m in 1987-88.

Mr Sandy Mackay, Canada Malting's vice president for operations, said yesterday that Baird's "well managed and profitable operation" would give his company a European base from which to expand its global production.

Canada Malting, in which the Canadian brewers Labatt and Molson each hold a 19 per cent stake, became the world's largest independent maltster in March through the acquisition of US-based Great Western Malting for C$150m. It is also Canada's largest producer of mushrooms.

Mr Neil Shaw, Tate chairman, said Baird was not close to the group's strategic focus. It is being sold at a premium to its net assets of £29.7m.

Tate separately announced the provisional sale of Multifittings, a Canadian manufacturer of moulded plastic products, for C$17m (£9.25). The planned disposal to Multifittings' management would bring to C$67m the proceeds of sales of non-sugar businesses of Redpath Industries, Tate's Canadian subsidiary.

A buyer is yet to be found for an automotive components business.

Arthur Shaw interim rise

Buoyant demand in the local authority and refurbishment sectors helped Arthur Shaw, the USM-quoted maker of window fittings, increase taxable profits by £24,000 to £559,000 in the six months to October 1.

For the second half Mr Ian Tickler, chairman, said that the company was being cautious. He added that the profit increase had been achieved against a downturn in the domestic housebuilding market.

Turnover for the period rose from £6.27m to £6.49m. Taxation was an unchanged £200,000 for same-again earnings per share of 4.7p. The interim dividend has been raised from 1.1p to 1.3p.

65% of AMI for sale as US parent is acquired

By Jane Fuller

A MAJORITY stake in AMI Healthcare, the UK's largest quoted private medical company, is for sale following the takeover of its US parent.

American Medical International, of Los Angeles, has been acquired by IMA Holdings in a $3bn deal which has been bubbling along since the spring. The highly leveraged purchase of 86 per cent of the shares, for $26.50 each, has involved the assumption of about $1.4bn in debt.

It is to pay off some of that debt that AMI in the UK has gone up for sale. IMA, which was set up to make the acquisition, has said that it hopes to raise $1bn through the sale of AMI's international assets, of which the UK business is the biggest part, and some US assets.

In London, AMI Healthcare's share price, already buoyed up in anticipation of the sale, rose 17p to 391p yesterday. There was no information about possible bidders.

Dr Marvin Goldberg, chief executive of the UK company, said he was pleased that a decision had at last been made to sell the 65 per cent stake after so much speculation.

"I hope it happens speedily. We have been living with the uncertainty for six months," he said.

Asked about a possible management buy-out, he said that all options were being considered.

AMI, which in February 1988 became the first private medical company to join the UK stock market, recently announced a 33 per cent pre-tax profit increase to £21m for the 12 months to August 31. The improvement was helped along by a much reduced interest charge of £1.22m, compared with last year's £3.13m.

Guernsey fires broadside at Guiton armada

By Jane Fuller

Guernsey Press, which is fighting the unwanted attentions of Guiton, its Jersey neighbour, yesterday forecast record trading profits for the year to February, exceeding the £1.04m achieved in 1987-88. That figure, however, was only encumbered by £96,000 of interest payments, whereas Guernsey is set to pay out more than £400,000 this year.

Nevertheless, the 1989-90 pre-tax profit is set to be significantly better than last year's £740,000, said Guernsey Press, publisher of the island's only newspaper with interests in retailing, printing and books.

A further strike at Guiton's bid, which is 102-for-100 on an all-share basis with a 25 per cent cash alternative, comes in the form of a property revaluation. This has added £1.3m to the figure put on the St Peter Port part of the portfolio.

Guernsey said this brings the total to £6m, compared with Guiton's £2.1m. In net assets per share terms, the comparison is 122p to Guernsey and 36p to Guiton. The target also argues that it has invested a far greater proportion of its cash flow in plant and equipment.

DRG director takes over from Woolley

Mr Hans Jorgensen, one of the existing directors of DRG before its acquisition this month by Mr Roland Franklin's Pembridge Investments, was yesterday appointed chief executive of the new board in the place of Mr Moger Woolley, writes Clare Pearson.

Sir David Nicholson, the former chairman of BTR and British Airways, has been appointed chairman.

Mr Woolley, with Sir John Milne, the non-executive chairman, and two other non-executive directors, resigned from the board last Thursday after it had recommended acceptance of the £697m, originally hostile, cash offer.

UK COMPANY NEWS

In defence of a strategic withdrawal

Andrew Bolger on Meggitt's decision not to proceed with its hostile bid for United Scientific Holdings

TO THE victor normally go the spoils – but not in the case of Meggitt, which yesterday declined to proceed with its proposed acquisition of United Scientific Holdings.

Mr Ken Coates, Meggitt's managing director, said he was disappointed he had not been able to complete the takeover of the defence contractor. He insisted that Meggitt had pulled oat because information had come to light which changed the basis on which the bid was launched.

However, he also said discretion was the better part of valour. Mr Coates said Meggitt had been lucky in that so much adverse news about USH and the defence sector had emerged while it was still free to lapse its offer.

Opinions on Meggitt's behaviour are sharply divided. One analyst, who thought the original bid was misconceived, said: "Meggitt have got a bloody nose and learned a lesson. But you have to admire their guts in walking away." Another said he thought Meggitt had behaved very badly, allowing market sentiment to dictate its behaviour: "In terms of strategy, I see Meggitt as a discredited mini-conglomerate."

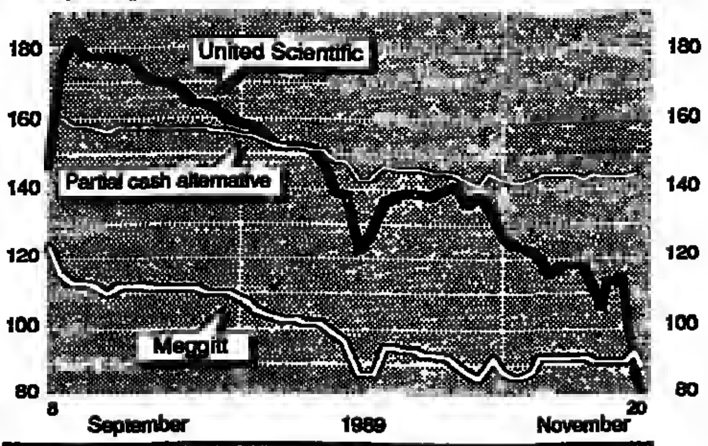
What no one can doubt is the damage done to USH, which has seeo its management record rubbished and its share price halved during the campaign. Mr Nick Prest, deputy chief executive, said he was not surprised that Meggitt had withdrawn, as USH had always believed that the offer was likely to be lapsed.

The unusual nature of this takeover battle was illustrated at the end of October when USH issued a final defence document which many observers felt was more like a poison pill. It doubled to £17m tha provisions made for losses at Avimo Taunton, USH's electro-optics plant in Somerset where two disastrous fixed-price contracts to snpply the Ministry of Defence witb sights systems plunged the group into the red.

USH's defence campaign had already suffered a body hlow when US regulators blocked the proposed disposal of its US snbsidiary, Optic-Electronic Corporation, for $65m (£42m) to Imo Industries of New Jersey on competition grounds.

United Scientific and Meggitt

Share prices (pence)



Meggitt opposed the planned sale, which USH announced on the day the bid was launched, and said it would be happy to continua to run OEC, which makes image intensifiers for night vision systems. It did so even although OEC is run by a proxy board, which the Pentagon requires when US defence companies are owned by foreign companies.

USH cited dissatisfaction with the proxy board system as ona of its main reasons for wanting to sell OEC. The difficulties involved were amply demonstrated when USH was obliged to reveal that it was liable for up to $2.46m (£1.56m) in "golden parachute" severance payments for directors of OEC, under terms which had been put in place without its knowledge.

A defence company run by a proxy board was never likely to find favour with the City while it was transfixed by the horror story emerging from Ferranti's acquisition of International Signal and Control of the US. As the bid timetable unfolded, OEC was just one of a series of unsettling factors which helped to reduce the price of botb shares – the "mini-crash" of October 16, Mr Nigel Lawson's resignation as Chancellor of the Excbequer and the rapid developments in Eastern Europe, whicb have led to speculation that defence spending may be cut.

Wbat the market uocertainty did was to put a premium oo cash, which made the blocking of the sale of OEC all the more important. Given the fall in both share prices, Meggitt's partial cash alternative became the only part of its offer worth considering. At Friday's close, Meggitt's shares were 90p, which valued its partial cash alternative at 144p. USH shares closed at 114p.

It was this growing gap between Meggitt's offer and the USH share price – combined with growing market uoease about the lack of buyers for defence companies – whicb several observers snggested were the real reasons for the decision to walk away.

Mr Prest said USH now had to soldier on and continne to manage its husinesses. Imo would soon be in court in the US to oppose the block on its acquisition of OEC. If Imo continued to be disqualified by the US autborities, Mr Prest said USH would seek another buyer for OEC.

One lesson to be learned is just how difficult it is for a buyer to exercise due diligence in a hostile bid, particularly for an overseas defence contractor. Some companies employ private detectives to check bid targets: applying such methods to a company which supplied the Pentagoa would have rapidly hrought Meggitt to the attention of the FBI.

Such difficulties with diligence are even more pronounced wben part of the target is run by a proxy board in the US. Mr Coates insisted that the "golden parachntes" issue at OEC was critical to Meggitt's decisioa: "Wa felt it might be the tip of an iceberg we aever got to see."

Even if the rapid developments in Eastern Europe and the Soviet Union da not spell an imminant reduction in defence expenditure, observers agree that the defence sector faces a long period of rationalisation aad consolidation among the smaller players.

Such a process will not be easy, even oa the basis of joint ventures and agreed deals. To cboose the hostile hid roote through such a commercial minefield is risky indeed.

Dissident shareholders fail to gain seats on Amal Financial board

By Andrew Hill

MR JOHN SCHOLES, chairman of Amalgamated Financial Investments, yesterday fought off the latest attempt by three dissident shareholders to win control of tbe investment company's board.

At the group's 50th annual meeting, which lasted nearly two hours, and at the 60-minute extraordinary meeting which followed, shareholders followed the board's recommendations and voted against the dissidents by a majority of more than two-to-ona on almost every resolution.

However, the rebels defeated a special resolution needing a 75 per cent vote io favour which would have allowed the placing of additional shares.

The dissidents, whose efforts were thwarted on a technicality at an earlier EGM in August, are unlikely to renew their efforts to join the board.

The meeting confirmed the appointment of two new directors, Mr Robin Andrews and Mr Alexander Devine.

One of the dissidents, Mr Rupert Pearce Gould, said afterwards: "We do feel we have stabilised the situation and as long as we have got independent directors on the board it has all been worthwhile."

He said he, Mr Richard Wollenberg – a former chief executive of the group – and Mr Colin Weinberg, would continue to press for more information from the company.

During the meeting, shareholders questioned the board oo AFI's illiquid investments and drew attention to the fact that £4.65m of the group's cash was banked in Switzerland.

Mr Scholes admitted that his predecessors' decision to pnt the money oa a year's deposit with the "overseas affiliate of a wall-known US bank" at a fixed 11 per cent interest rate was "not a good one".

He said the cash would be withdrawn later this month and brought back to London where it would attract a better rate of interest.

● Sonnig, Bestwood's largest shareholder, has sold its 13 per cent stake in the housebuilding and engineering group, to Kanata Genesis, a Canadian company listed on the Alberta Stock Exchange.

Mr Jim Furlong, Bestwood's chairman, said he believed Kanata was connected to Sonnig, which has retained a holding in Bestwood of less than 1 per cent.

AFI's dissident shareholders had questioned the investment company's links with Bestwood, which is being investigated by the Department of Trade and Industry, at AFI's EGM this summer.

UK COMPANY NEWS

Steels side helps Diploma display marginal increase

By Vanessa Houlder

DIPLOMA, the electronic components and building supplies group, yesterday announced a marginal increase in pre-tax profits from £19.3m to £19.5m for the year to September 30. Turnover increased by 8 per cent from £127.1m to £137.8m.

Mr Christopher Thomas, chairman, said that the results could not be considered displeasing given that trading conditions were poor for most of the year with a deterioration during the second half.

A strong performance from the special steels division, which lifted profits to £3.2m (£2.2m), helped offset a fall from the electronic components division – down from £8m to £6.8m – and a small rise from the building components division, up to £8.5m (£8.4m).

Distribution markets for electronic components were badly affected by lower world consumption, intense competition and a further fall in the distributors' share of the UK market.

However Diploma's share of this market increased through a strong performance by the Access Group which increased turnover by 15 per cent. Macro had a strong sales year but was affected by price erosion particularly in the commodity memory area. In passive components, demand continued to be depressed and this sector did not provide the usual stabilising influence against the more volatile semiconductor market.

The building components division partially shrugged off difficult market conditions, thanks to a 20 per cent profits rise at Robert Lee and an increase in market share at IG. The latter saw a fall in unit sales of 22 per cent compared with a fall in housebuilding starts of more than 27 per cent. Williamson Cliff, Norwood and Henry Whitham all produced solid performances.

Return on sales was 14 per cent, return on capital was 34 per cent and cash flow generation was strong. In spite of an outflow of £7.8m on acquisitions, the year-end cash balance remained at about £10m. Mr Thomas said that Diploma was considering further acquisitions in the electronic components market.

Earnings per share increased by 8 per cent from 20.7p to 22.3p. A final dividend of 6.25p was proposed, making a total of 8.5p (7.5p) for the year.

● COMMENT

For a company that has long preached caution, Diploma is displaying remarkable optimism. Although it makes no bones about the difficulties of its markets, the only uncertainty for the company is how far it will outperform its sectors. This confidence in the face of adversity may well be justified. Diploma has a reputation for strong decentralised management with good cash flow, a high return on capital and a proven ability to win market share. That said, the vicissitudes of the building and electronic components markets will continue to depress Diploma's share price. Assuming profits fall to £18m this year, the shares, down 1p at 152p, are on a p/e of 7.5. That seems undemanding compared with the building and electronic sectors, but given the unalluring state of these markets little advance in the share price can be expected in coming months.

Goodman sells Benetton chain

By Maggie Urry

GOODMAN GROUP, the clothing manufacturer and retailer and video retailer, yesterday announced a higher interim loss and the proposed sale of its Benetton clothing shops for £2.6m.

The shops, which sell the products of Benetton, the Italian knitwear group, are to be sold to a company headed by Mr Harold Goodman, deputy chairman of Goodman Group.

In the six months to end-July the group's trading loss was £694,000 compared to £489,000, although this was after reduced profits on property disposals of £68,000 (£233,000). The pre-tax loss was £939,000 (£628,000).

Sales were £5.34m (£4.01m) boosted by the acquisition in July 1988 of Parkes Clothing, a menswear wholesale and retail group.

Goodman Group was formed in 1987 when Mr Gerry Goodman put his private interests, principally 20 Benetton shops, into Goodman Brothers, a loss-making women's clothing manufacturer. Mr Gerry Goodman became chairman, and his son Paul is managing director. They are not related to the original Goodman brothers or to Mr Harold Goodman.

In August the group moved into video retailing, which it sees as a buoyant and expanding market. It has acquired 32 video shops and has a further 61 outlets under negotiation.

Mr Gerry Goodman said the results were "clearly unsatisfactory." However, he said "our planned programme of action to reduce the group's dependence on the clothing sector and to develop a substantial video rental chain gives us great encouragement for the future."

"The board believes that the sale of the group's high street Benetton chain will result in a significant reduction in the group's overheads and indebtedness which will assist the group's return to profitability." he continued.

He said that Parkes Clothing remained an integral part of the group, but the footwear retail business was being rationalised.

The interest charge was £245,000 (£139,000). There is an extraordinary debit of £302,000 (£13,000) including a provision for a loan of £172,000 made to Goodman Brothers, a company sold by the group in May 1988 which has since gone into liquidation.

The group said it did not believe it prudent to pay an interim dividend. The loss per share was 3.1p (2.6p). The shares were unchanged yesterday at 24½p.

Broad Street confirms takeover approach

By Alice Rawsthorn

BROAD STREET Group, the marketing consultancy best known for its public relations work in bid battles, confirmed yesterday that it has received a bid approach.

It also announced a 30 per cent increase to £1.37m in pre-tax profits for the six months to September 30.

The shares rose rapidly on Friday fuelled by rumours that it was a takeover target. Broad Street issued a statement saying that it had received an approach from a prospective bidder. It is now in "preliminary discussions". The group's shares rose further – by 5½p to 42½p – on yesterday's announcement.

The marketing industry has experienced increasingly competitive conditions in recent months because of the uncertain economic outlook and the slowdown in advertising expenditure.

Broad Street suffered a slower growth in some sectors such as corporate public relations. Nevertheless it managed to increase first half turnover to £9.44m (£6.88m) and operating income to £5.62m (£4.16m). Earnings per share rose to 2.09p (1.9p) and the interim dividend is lifted to 0.65p (0.6p).

In the past year Broad Street has staged a series of acquisitions to reduce its reliance on financial public relations, the traditional base of its business. It recently reached agreement to renegotiate some of its earn-out arrangements to avoid diluting earnings.

Financial and investor relations now represent less than 40 per cent of group income. This division fared well in the first half buoyed by record results from Financial Dynamics. Its future prospects, however, are clouded by the decline in takeover activity. Ad hoc projects, principally bid campaigns, provided 17 per cent of first half income.

The corporate public relations division – which provided 20 per cent of income – suffered the loss of some sizeable accounts. But Lynne Franks, the fashion public relations consultancy, benefited from very strong growth.

Isosceles sells its drugstore offshoot to Kingfisher

By Nikki Tait

ISOSCELES, the consortium which last summer won a £2bn-plus bid battle for food retailer Gateway, announced yesterday that it has sold Medicare, Gateway's drugstore subsidiary, to Kingfisher.

Kingfisher is buying 86 outlets, which will be merged into its Superdrug chain. Kingfisher first moved into drugstore retailing in 1987 when it acquired Superdrug, then comprising 300 outlets. That subsequently increased, partly through additional acquisitions, to around 600 stores ahead of the Medicare deal.

Kingfisher said that it expects to have an on-going chain of around 650 stores once the Medicare outlets have been intergrated and overlapping stores weeded out. The group, which also takes in the Woolworths, Comet and B&Q chains, claimed to have around 16 per cent of the toiletries market before the Medicare deal. It said that the former Gateway outlets will add perhaps another 1 per cent of market share.

No disposal price has been announced. However, analysts were suggesting a figure of around £5m, compared to the £11m net book value of the assets changing hands.

Medicare's figures were absorbed into the results for the main Gateway Foodmarkets chain when the group unveiled its 1988-89 profits and no breakdown supplied. However, the company is understood to have been making annual losses of around £5m.

In the previous year, to end-April 1988, it reported trading profits of £1m. Gateway acquired the chain, then comprising 49 outlets, from Reed Executive in 1986.

This is the second significant disposal since Isosceles won control of Gateway – the superstores having already been sold to Asda. Yesterday, Mr David Smith, chief executive, said that he hoped to be able to announce some further disposals in the UK before the end of the year.

Yesterday, at a speedy extraordinary meeting, Isosceles also won shareholders' backing for certain technical changes to its articles of association and for the proposed open offer of Isosceles units – a mixture of ordinary and preference shares in the company.

The need for the open offer arose from the agreement between Isosceles and Newgateway, the rival bid vehicle representing Wasserstein Perella and Great Atlantic and Pacific Tea Company which ended up with a 40 per cent stake in Gateway.

The open offer has now become unconditional, with the clawback by shareholders amounting to 87 per cent of the units available. As a result, Wasserstein and A&P – having eventually accepted the Isosceles offer and taken up entitlements under the open offer – hold 39.9 per cent

CML Microsystems rises 26% to £1.9m

By Peter Berlin

CML Microsystems, a maker of semiconductors and traffic control technology, reported steady growth in the six months to September 30 with pre-tax profits up 26 per cent to £1.88m.

The increase from last time's £1.49m came on turnover up 18 per cent to £6.3m (£5.3m).

CML's chief area of activity is the manufacture of specialised microchips for converting speech into digital form for transmission.

Mr George Gurry, chairman, said particular progress had been achieved in the US and Japanese markets.

He said the market for traffic products, the smaller arm of the CML, was slow hut that he anticipated stronger second half figures with delayed contribution of newer products.

Earnings per share rose to 6.7p (5.5p). The group does not pay an interim dividend.

NEWS DIGEST

Small rise to £4.26m for Volex

TAXABLE PROFITS at Volex Group, the electrical controls and communications systems manufacturer, moved slightly ahead from £4.03m to £4.26m in the six months to September 30.

The advance in turnover from £47.94m to £50.82m related to ths first quarter, according to Mr Peter Frost, chairman.

An increase in the tax charge from 24 to 31 per cent caused a fall in earnings per share to 19.2p (20p). Ths interim dividend is lifted to 6.5p (6p).

Mr Frost said that activities in the first quarter were ahead of last time in all divisions. However in the second, progress was hit by the adverse effect of worsening external market conditions and an industrial dispute with the maintenance employees.

In the light of the current economic situation, prospects for the second half were reasonable, Mr Frost maintained.

Stirling halts slide with climb to £1.6m

Stirling Group, a leading supplier of womenswear to Marks and Spencer, has recovered to achieve a small profits rise – from £1.56m to £1.61m – in the six months to September 30. In the year to end-March it suffered a 32 per cent decline to £2.74m.

Last week a 27 per cent stake owned by Paisley Hyer was put up for sale, throwing the company open to takeover speculation.

Sales were 7 per cent ahead at £20.52m (£19.18m) and earnings edged up to 2.76p (2.71p). The interim dividend is maintained at 0.5p.

The company said that the new factories, which had had start-up problems in the latter part of 1988, were now performing well and that the older ones were achieving improvements in output and cost controls.

Nav advances at Scottish National

In the end of its second year as a split capital investment trust, The Scottish National Trust reported net assets ahead from 55p to 59.5p per income share and from 102.7p to 148.8p per capital share.

Total net assets at end-September, after deducting debenture stock and preference shares at nominal valua, amounted to £304.39m – an advance of 18 per cent on the figure a year earlier.

Mr Sandy Struthers, chairman of the Gartmore Scotland-managed trust, said ths discount to net asset value was in the region of 1 per cent. This reduction, he said, was one of the principal aims of the capital restructuring.

Net revenue was £13.53m (£12.44m), leaving earnings of 7.39p (6.75p) per share. The proposed final dividend is raised to 2.6p making 7.4p (6.3p) for ths year.

Clyde takes stake in Burmese exploration

Clyde Petroleum, ths independent oil company, has taken a 90 per cent interest in a 3,500 sq km exploration block in the Irrawaddy Valley in central Burma.

The interest is held through Croft Exploration Myanmar, with 10 per cent of the company held by Croft Exploration, another UK oil independent.

A work programme on the hlock includes 1000 km of seismic surveys and at least one exploration well during an initial three-year period.

Clyde has also recsntly acquired exploration interests in offshore Vietnam.

Vinten ahead and changes year-end

Vinten Group, the UK-based company which manufactures avionics and broadcast equipmsnt, lifted pre-tax profits from £1.46m to £1.77m in the six months to September 30.

The results from Manfrotto Holdings, the Italian manufacturer of photographic and video camera mounts acquired in July for £20m, were not included in the results.

Turnover rose to £18.22m (£17.01m) and, after tax of £665,000 (£530,000), earnings worked through at 5.3p (4.4p) per shars. Had the shares issued in connection with the Manfrotto acquisition been included, earnings would hsve been 4.3p.

Ths intarim dividend ia maintained at 1.45p.

Mr Ron Marler, chairman, said that, since ths Manfrotto purchase, an even greater proportion of Vinten's business was now ovsrseas and the board had decided to change the year-end to December 31.

Bromsgrove makes £1.4m buy from TI

Bromsgrove Industries' wholly-owned subsidiary, Bromsgrove Castings, has acquired HE Forge from TI Hollow Extrusions for £1.4m cash.

The price is reducible by the shortfall in net current asset value as at November 17 1989 excluding cash below £650,000 and will be increased hy the excess in auch valna ovsr £700,000 as at that date.

Net assets excluding cash at completion were expected to amount to some £938,000 including the freehold premises at historical cost of £45,000.

HEF is a specialist manufacturer of solid and hollow forgings for the antomotive and aerospace markets. In the nine


Chris Lewinton: chairman and chief executive of TI.

months to September 30, its accounts showed trading profits of £500,000 on turnover of £3.38m.

Normans declines but raises dividend

Taxable profits of Normans Group, the food retail chain and department store, fell from £2.13m to £1.98m for the 26 weeks to September 30. Turnovsr was £76.65m compared with £81.84m.

Directors said the decline in turnover reflected the disposal in February of the Freezway business in Scotland. They also said that the first phase of the major development at Tynedale Park was successfully opened in October, but was not likeiy to make a material contrihution to this year's results.

Group profits ware not axpected to show significant progress until there was an improvement in general trading conditions.

Trading profits rose from £2.84m to £2.91m hut head office expenses and interest charges were up from £717,000 to £933,00.

After tax of £554,000 (£644,000) and same-again minorities of £39,000, earnings emerged at 2.07p (2.21p).

The interim dividend is increased from 1.05p to 1.1p.

Wilshaw advances 30% to £909,000

Wilshaw, the industrial and engineering holding company, increased pre-tax profits by 30 per cent from £701,000 to £909,000 in the six months to September 30.

Mr John Dowling, chairman, said that building products had a very healthy first half and that special metals had performed in line with expectations. In this area though, the second half is traditionally more buoyant.

Although distribution in the first half was disappointing – due to the dry summer in the northern hemisphere – it is expected to improve in the second.

Turnover increased by 24 per cent to £9.2m (£7.42m) and, with tax up more than £100,000 at £319,000, earnings per share rose to 0.78p (0.69p).

A maiden interim dividend of 0.1p is declared.

Mr Dowling added that the £3.7m SGM acquisition was completed on November 16. The company makes magnets

Assoc Energy in £2.04m rights issue

Associated Energy Services, the USM-quoted building and environmental maintenance services and catering distributor, is calling on shareholders for a net £2.04m via a three-for-one rights issue.

The underwritten cash call involves the issue of 20.77m new ordinary shares at 11p. The proceeds will be used primarily to enable the company to restore its depleted capital hase, to discharge bank borrowings and to provide new working capital.

Cleves Investmant, which holds around 4.47 per cent of AES' present capital, has undertaken to subscribe in full for its entitlement of 928,950 new shares.

Alan Paul jumps 57% to £510,000

A sharp increase in profits for the half year to September 30 was announced by Alan Paul, the USM-quoted chain of hairdressers. At the pre-tax level the improvement was 57 per cent to £510,000.

Mr Alan Moss, chairman, said that after the considerable increase in the first half there had been a very encouraging start to the second.

Turnover rose from £1.91m to £3.06m and operating profits to £690,000 (£424,000). Earnings per share were 4.5p (4.1p) after tax of £144,000 (£74,000). There is an interim dividend of 0.9p (nil).

UK COMPANY NEWS

Babcock ahead to over £20m in demerged form

By Jane Fuller

BABCOCK International, the heavy engineering group, yesterday showed a 12 per cent increase in pre-tax profits in unveiling its first results since the demerger of FKI Babcock in the summer.

Profits for the six months to September 29 rose from £18.01m to £20.11m on turnover up 4 per cent to £295.15m.

This was despite an apparent £376,000 fall to £3.3m in profits at the energy division, where turnover was up by some £10m to £138.39m. A £1.6m pensions holiday in the corresponding period last year lay behind the decline.

Mr Oliver Whitehead, chief executive, said the Government's about-turn over the privatisation of nuclear power stations – and the probable cancellation of the pressurised water reactor (PWR) programme – "presents the company with all sorts of challenges."

Although there would be a delay while the Government and the two private generating companies pondered the alternatives, it was estimated that 15,000 Mw of new generating capacity would be needed by the turn of the century. He thought only a handful of the 90 small private stations that had been mooted would go ahead.

There was more work for Babcock in thermal power stations than in nuclear ones, he said. As well as its Renfrew boiler business, it makes equipment for removing polluting gases from fossil fuel emissions. Good growth potential is seen in the green side of its activities.

Babcock's single largest contract is for £200m of flue gas desulphurisation equipment at the Drax coal-fired generating complex in North Yorkshire. Asked about margins, Mr Whitehead said the aim was for between 5 and 7 per cent.

The energy division, which includes a contracting concern, has orders worth £770m and about half of the business lies overseas.

It is trying to diversify, particularly into high-quality, high-technology work. "We are not looking at the metal-bashing end where margins are no good," he said. To support this push, the division was spending between £2m and £4m a year on research and development.

The second biggest division, with turnover of £78.66m, is the Babcock Thorn joint venture company at the Rosyth dockyard, where submarine and ship refitting is carried out for the Ministry of Defence. Pre-tax profit increased by more than £1m to £4.89m.

Babcock Africa, where the company is involved in South Africa's gas-to-petrol programme, increased profits by £1m, to £3.37m, on virtually static turnover. The other two divisions, in West Germany and Australia, both made about £1m profit.

Earnings per share were 3.23p (3.02p). The interim dividend is 1.2p.

Oliver Whitehead: Government about-turn on privatisation of nuclear power presents company with all sorts of challenges.

● **COMMENT**

The scope for picking up green work should more than compensate for any disappointment caused by PWR cancellations. Not that Babcock has given up on smaller nuclear stations making an appearance as the generating gap looms larger. In the meantime, existing plant will need refurbishment. More importantly, the work at Drax should herald other coal-fired orders both for scrubbing equipment and low-nox burners (removing nitrogen oxides). Further potential lies in fluidised bed combustion, which deals with noxious gases in the combustion process and burns coal more efficiently. The Rosyth dockyard is also generating safe orders from the MoD and, increasingly, elsewhere. Full-year forecasts of £41m to £42m give a prospective multiple of less than 8. Bearing in mind a probable 8 per cent yield, the stock looks good value.

Whitbread selling slot machine operation

By Philip Rawstorne

WHITBREAD, the UK brewing and retailing group, is to sell PCM, its machine operating business.

Offers were invited yesterday for the Loughborough-based company which rents and services more than 5,500 coin-operated amusement machines throughout England and Wales.

City estimates suggest it may fetch around £10m.

Whitbread said PCM was trading well and profitably but the operation did not fit with the group's strategic objectives.

PCM is not among the major players in the machine market and to improve its position would require investment that would divert funds from Whitbread's core businesses – beer brands, leisure retailing and pubs.

It was for similar reasons that the group recently put up for sale its wine and spirits division.

Whitbread aims to remain a major customer of PCM which, with a staff of 270 people in 10 locations, operates amusement machines for other brewers, clubs, and the free trade.

This advertisement is issued in compliance with the regulations of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). Application will be made to the Council of The Stock Exchange for all the ordinary shares of CRT Group PLC, issued and to be issued, to be admitted to the Official List. Admission will be conditional upon approval being given by shareholders of R. Smallshaw (Knitwear) plc to the acquisition of Bowerley Limited, rights issue, change of name and related proposals at an Extraordinary General Meeting to be held on 23rd November, 1989. It is anticipated that the ordinary shares of the Company will be admitted to the Official List on 27th November, 1989 and that dealings will commence on the same day.

Listing of

CRT Group PLC

(Incorporated and registered in England under the Companies Acts 1948 to 1985 No. [illegible])

following the acquisition of Bowerley Limited, rights issue of 17,500,000 ordinary shares of 10p each at 40p per share, change of name and related changes

arranged by

LLOYDS MERCHANT BANK LIMITED

Share capital following the acquisition and rights issue

Authorised		Issued and fully paid
£3,400,000	ordinary shares of 10p each	£2,350,000

CRT Group PLC (currently R. Smallshaw (Knitwear) plc) will be the holding company of a group whose businesses will comprise consultancy, recruitment, training and the manufacture of fully fashioned knitwear. The CRT Group proposes to expand its activities in the fields of consultancy, recruitment and training by making further acquisitions of companies whose activities complement and extend those carried on by Bowerley.

The sponsoring member firm in respect of the listing is Smith Keen Cutler. Listing Particulars, dated 24th November, 1989, relating to CRT Group PLC are available in the statistical service maintained by Extel Financial Limited. Copies of the Listing Particulars may be obtained during normal business hours (excluding Saturdays) up to and including 23rd November, 1989 from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London, EC2 and up to and including 15th December, 1989 from the registered office of the Company at 51 Druid Street, Hinckley, Leicestershire LE10 1QG. Correspondence in respect of CRT Group PLC should be directed to:

K.E. Chapman, Esq., Archway House, Church Street, Easton on the Hill, Stamford, Lincolnshire PE9 3LL.

Lloyds Merchant Bank Limited, 40-66 Queen Victoria Street, London EC4P 4EL.

21st November, 1989

Institutional disquiet over de Savary plan

INSTITUTIONAL disquiet at the £73m management buy-out bid for Highland Participants, the property and ship-repair group run by Mr Peter de Savary, surfaced yesterday at an extraordinary general meeting of the company, writes Nikki Tait.

The meeting had been called to approve a separate management buy-out of the group's Isle of Grain development, where there are plans to build a container port facility. The bid for Highland, from Mr de Savary's private Cornwall Trust company, had been made conditional on this going ahead.

At yesterday's meeting, Postel, which manages the large British Telecom and Post Office pension funds, questioned Mr de Savary over why no mention was made of the impending cost overruns on the Isle of Grain project when Highland announced interim figures in late-September. These first came to shareholders' attention generally when announced at the beginning of November.

The fund managers also queried asset valuations put on certain Highland interests, questioning whether these may have been either over-optimistic at the time of, and in the wake of, the rights issue in July 1988 when Highland acquired the Isle of Grain site, or may now be stated on a "worst case" basis.

Postel added that it did not like management buy-out bids in general, saying that the management team bidding for a company inevitably possesses an information advantage.

Mr de Savary replied that over the past three weeks he had spent time seeing institutions in order to explain the situation and deal with their queries, adding he was sorry not to have seen Postel ahead of yesterday's meeting. Afterwards, he maintained that no mention of the cost overruns had been made in September because this could have threatened the mbo funding, and because some of the information came to light through the due diligence work done for the deal.

The rights issue took place at 220p per share, whereas the current Cornwall offer is pitched at only 200p per share. Moreover, Charterhouse Tilney, the company's brokers, suggested that net asset value was 340p per share after tax.

However, the Isle of Grain deal was voted through on a unanimous show of hands yesterday, with proxies also heavily in favour. In current market conditions, runs the argument, the outlook might be bleak and for this reason they are inclined to accept.

Mr de Savary himself was publicly optimistic about the Cornwall bid's chances, claiming that shareholders speaking for well over 50 per cent of Highland have indicated that they would vote in favour. Brown Shipley Stockbroking, Cornwall's advisers, added that this was only indicative, and the actual level of acceptances had remained low ahead of the decision on Isle of Grain.

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED
US $ 30.000.000.-
GUARANTEED FLOATING RATE NOTES DUE 1991
Guaranteed by India
NOTICE OF MANDATORY REDEMPTION

CREDIT LYONNAIS - LUXEMBOURG announce that Notes for the nominal amount of US$ 6.000.000,- have been drawn for the third mandatory redemption instalment due 20th December, 1989.

The numbers of the Notes drawn in the presence of a Notary Public are as follows:

21	410	737	1078	1436	1847	2133	2472	2758	3089	3437	3723	4066	4415	4741	5100	5425	5699
23	413	742	1081	1438	1852	2136	2474	2761	3095	3441	3724	4092	4422	4751	5101	5427	5710
24	422	748	1084	1449	1863	2141	2475	2762	3101	3453	3727	4094	4424	4759	5111	5430	5715
27	425	755	1085	1458	1866	2142	2477	2766	3105	3457	3731	4111	4432	4762	5117	5434	5722
30	428	758	1088	1461	1872	2143	2478	2769	3108	3459	3733	4114	4433	4766	5122	5436	5727
39	433	766	1105	1462	1874	2144	2479	2774	3110	3461	3737	4121	4434	4777	5124	5449	5729
42	437	770	1106	1463	1875	2145	2482	2783	3114	3462	3742	4126	4438	4778	5126	5453	5732
60	444	771	1113	1474	1880	2146	2489	2785	3115	3465	3744	4133	4449	4783	5127	5455	5733
80	446	775	1121	1482	1898	2148	2504	2801	3124	3475	3749	4136	4453	4789	5133	5460	5734
84	452	777	1125	1488	1901	2152	2505	2804	3129	3477	3752	4146	4455	4790	5134	5462	5739
86	457	789	1126	1503	1904	2154	2507	2805	3131	3485	3753	4160	4460	4791	5138	5469	5746
87	458	793	1131	1506	1906	2159	2508	2808	3141	3491	3755	4161	4471	4796	5182	5470	5747
91	459	797	1139	1507	1908	2169	2509	2815	3144	3495	3759	4165	4476	4800	5186	5473	5750
113	461	799	1148	1517	1910	2171	2512	2817	3153	3496	3763	4180	4477	4804	5189	5474	5756
114	465	807	1154	1518	1918	2180	2522	2820	3158	3497	3789	4181	4480	4835	5190	5475	5765
119	467	809	1157	1519	1924	2183	2531	2835	3161	3505	3793	4182	4482	4836	5193	5476	5768
132	468	820	1164	1534	1926	2189	2538	2839	3165	3509	3794	4183	4494	4841	5196	5477	5770
135	471	825	1176	1550	1941	2195	2541	2845	3166	3514	3798	4187	4509	4843	5197	5480	5772
140	474	828	1179	1555	1945	2200	2542	2851	3167	3515	3802	4188	4510	4856	5209	5484	5774
141	478	832	1183	1556	1948	2202	2546	2853	3177	3516	3804	4195	4512	4857	5211	5496	5787
142	483	837	1190	1559	1951	2216	2553	2855	3180	3518	3816	4196	4516	4868	5221	5500	5788
143	484	841	1201	1561	1952	2222	2557	2856	3182	3524	3818	4200	4526	4871	5224	5502	5796
172	488	843	1208	1578	1953	2223	2560	2857	3192	3532	3827	4209	4533	4887	5228	5504	5802
178	491	845	1209	1580	1955	2225	2568	2869	3197	3533	3830	4214	4541	4888	5242	5505	5817
183	494	856	1222	1587	1958	2226	2570	2873	3201	3535	3842	4219	4543	4894	5250	5513	5820
192	497	859	1228	1591	1959	2228	2573	2893	3209	3540	3850	4224	4545	4897	5255	5518	5829
194	502	863	1233	1592	1964	2241	2575	2897	3210	3543	3851	4225	4551	4905	5256	5519	5831
197	509	865	1238	1597	1971	2246	2584	2899	3216	3545	3863	4226	4567	4910	5266	5524	5834
198	515	873	1247	1600	1975	2253	2588	2907	3217	3547	3878	4237	4571	4911	5275	5527	5841
203	522	877	1250	1615	1981	2264	2589	2911	3220	3549	3891	4239	4581	4912	5280	5530	5845
212	537	878	1251	1634	1990	2267	2590	2913	3221	3566	3895	4241	4587	4915	5290	5532	5858
215	543	889	1252	1640	1994	2268	2603	2919	3222	3570	3899	4247	4591	4916	5296	5537	5861
221	544	891	1274	1644	1996	2270	2604	2920	3246	3575	3900	4254	4602	4919	5299	5541	5866
227	545	896	1280	1650	1999	2282	2609	2924	3252	3577	3912	4256	4606	4932	5300	5543	5868
231	551	906	1292	1660	2004	2287	2617	2941	3269	3580	3917	4257	4607	4941	5301	5544	5872
233	554	911	1296	1667	2008	2294	2626	2942	3271	3581	3918	4258	4612	4942	5302	5560	5877
236	555	920	1298	1671	2009	2305	2628	2948	3281	3585	3923	4260	4616	4949	5311	5566	5881
237	562	926	1299	1679	2010	2307	2630	2963	3282	3587	3925	4261	4621	4951	5312	5570	5884
254	568	927	1302	1688	2011	2312	2636	2970	3288	3588	3933	4263	4622	4954	5320	5571	5886
260	571	930	1307	1696	2026	2313	2638	2972	3292	3591	3934	4266	4623	4957	5321	5572	5892
261	579	931	1314	1708	2027	2319	2639	2973	3294	3604	3936	4278	4625	4961	5322	5573	5895
280	584	932	1316	1709	2028	2320	2642	2987	3297	3611	3942	4282	4627	4964	5325	5576	5898
281	589	933	1318	1713	2029	2321	2647	2995	3299	3616	3943	4294	4629	4967	5326	5577	5899
301	591	940	1327	1720	2034	2334	2650	2998	3301	3632	3947	4304	4635	4969	5327	5582	5902
302	593	947	1328	1725	2042	2341	2662	3000	3303	3633	3955	4318	4644	4972	5345	5583	5913
304	595	949	1332	1727	2045	2350	2670	3001	3324	3635	3959	4322	4645	4978	5349	5586	5918
315	597	950	1337	1730	2047	2354	2673	3004	3329	3640	3967	4323	4647	4980	5354	5589	5917
316	607	975	1347	1734	2053	2357	2676	3005	3344	3641	3968	4325	4648	4984	5356	5594	5926
324	610	976	1350	1740	2056	2375	2678	3008	3346	3647	3971	4335	4664	4987	5358	5600	5937
325	615	978	1358	1744	2062	2378	2684	3012	3358	3648	3974	4344	4667	4990	5361	5603	5945
326	626	984	1359	1745	2063	2379	2688	3013	3363	3653	3980	4347	4669	4992	5362	5606	5948
347	634	991	1360	1765	2066	2384	2690	3015	3367	3658	3983	4351	4680	4993	5364	5607	5950
349	638	996	1362	1769	2070	2387	2694	3019	3379	3663	3985	4352	4684	4999	5369	5612	5958
350	642	999	1386	1776	2071	2392	2699	3026	3383	3666	3987	4353	4687	5003	5372	5617	5965
354	647	1008	1387	1782	2073	2403	2706	3033	3384	3668	3994	4356	4688	5010	5381	5619	5966
356	648	1012	1391	1783	2077	2409	2707	3036	3385	3669	4011	4357	4689	5036	5386	5620	5971
358	649	1015	1394	1789	2079	2411	2710	3037	3392	3670	4025	4364	4699	5038	5391	5623	5974
364	678	1017	1396	1792	2083	2412	2712	3047	3400	3677	4028	4367	4709	5045	5396	5628	5988
371	681	1021	1397	1794	2094	2421	2719	3051	3404	3679	4035	4369	4712	5048	5397	5639	5990
375	691	1025	1398	1801	2096	2432	2720	3053	3405	3681	4036	4382	4713	5049	5399	5648	5996
380	703	1028	1401	1807	2107	2442	2721	3056	3414	3682	4037	4383	4714	5053	5405	5651	5997
387	708	1035	1402	1821	2109	2453	2722	3058	3418	3696	4039	4384	4715	5054	5409	5664	
390	715	1055	1407	1823	2111	2454	2723	3062	3418	3699	4040	4391	4717	5060	5410	5669	
392	717	1058	1412	1824	2112	2456	2728	3063	3419	3700	4042	4392	4718	5064	5411	5682	
399	719	1068	1418	1825	2127	2463	2731	3068	3425	3703	4046	4396	4719	5072	5414	5690	
403	729	1073	1423	1830	2130	2465	2738	3077	3426	3711	4058	4400	4731	5086	5422	5692	
405	732	1075	1425	1846	2132	2471	2748	3084	3434	3713	4063	4408	4738	5096	5423	5693	

On 20th December, 1989, there will become due and payable upon each Note drawn for redemption, the principal amount thereof, together with accrued interest to the redemption date at the offices of:

PRINCIPAL PAYING AGENT
CREDIT LYONNAIS
26A, Boulevard Royal
L-2449 LUXEMBOURG

PAYING AGENTS

MANUFACTURERS HANOVER TRUST COMPANY	STANDARD CHARTERED MERCHANT BANK LIMITED	CREDIT LYONNAIS (Singapore Branch)
270 Park Avenue	33-36 Gracechurch street	3701 OCBC Centre
USA-NEW YORK N.Y. 10022	GB-LONDON EC3V 0AX	SINGAPORE 0104

On the redemption date, interest will cease to accrue on the Notes and all unmatured coupons relating thereto shall become void and no payment shall be made in respect thereof.

If any note is presented for payment unaccompanied by all unmatured coupons appertaining thereto, payment in respect of such note shall only be made on such terms as to indemnify in respect of the missing coupon(s) as the Company may require and on payment to it of all expenses incurred in that connection.

Notes and coupons will become void unless presented for payment within a period of 10 years and 5 years, respectively, from the redemption date.

US$ 12.000.000.- nominal amount of Notes will remain outstanding after 20th December, 1989.

PRINCIPAL PAYING AGENT
CREDIT LYONNAIS
LUXEMBOURG

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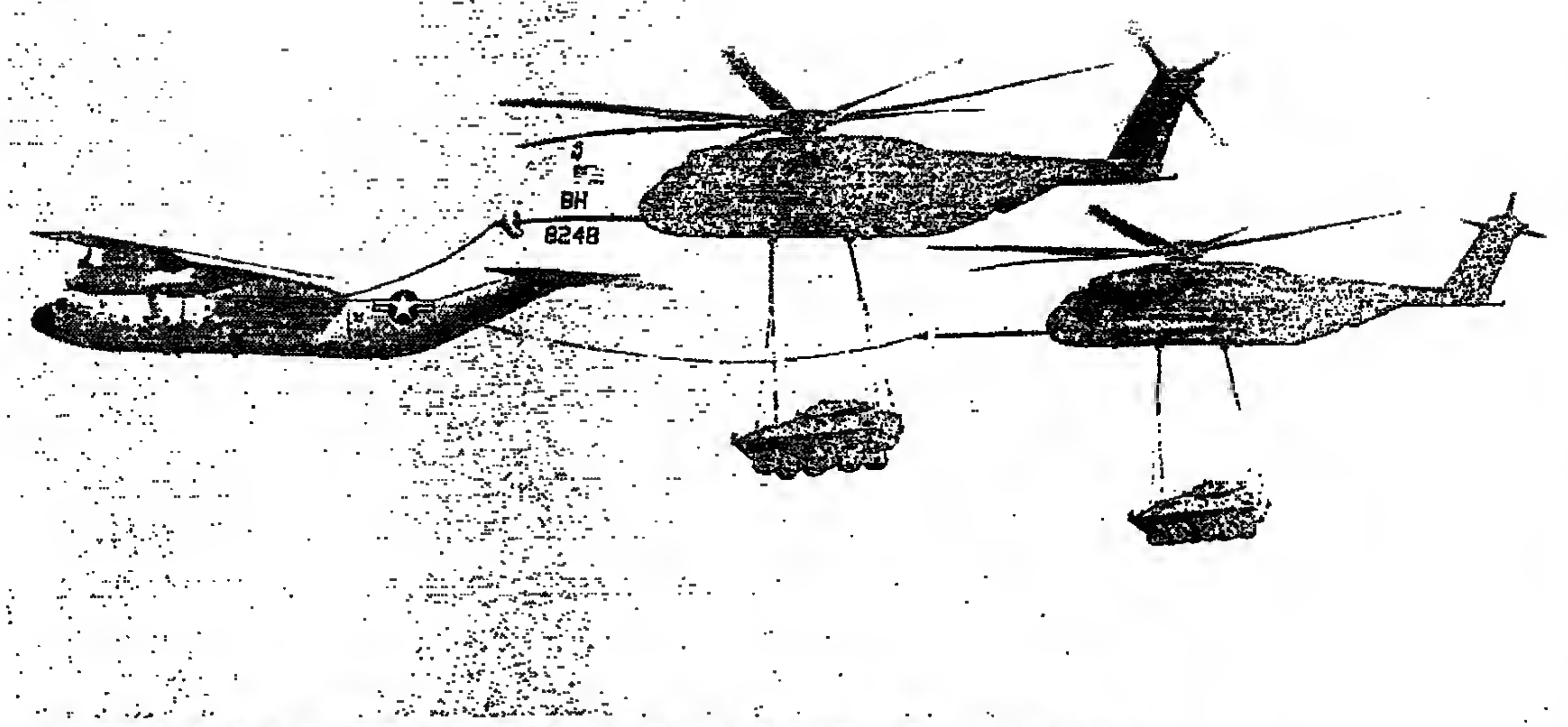
FINANCIAL TIMES SURVEY

Cuts in military spending have cast a shadow over the western helicopter industry. The slowly improving civil market offers some consolation. In any event, pressure is likely to intensify for greater international co-operation between manufacturers, writes Paul Betts

Time is ripe for teamwork



US manufacturer Sikorsky's Super Stallion heavy-lift helicopters refuelling in flight while airlifting armoured vehicles

Helicopters

HELICOPTERS have become the Cinderella of aerospace. In sharp contrast with the rest of the industry enjoying boom times and record orders, helicopter manufacturers on both sides of the Atlantic have continued to struggle with flat demand and over-capacity.

Glasnost has added additional uncertainty for an industry whose development and growth has traditionally relied on government defence spending, especially in the US where the military remain the biggest individual buyers of helicopters in the non-Communist world.

Mr Eugene Buckley, president of Sikorsky, the US helicopter group owned by United Technologies, recently acknowledged that arms control initiatives "have started a process that could significantly change the military presence and society's needs in Europe and elsewhere."

Sikorsky, the world's leading helicopter manufacturer with annual sales of $1.7bn, supplies about 85 per cent of its output to the military sector. Like other leading western manufacturers it is now looking increasingly to the commercial market for longer term growth to compensate for stagnant demand in the military market.

But although the long dormant civil helicopter merket has recently shown some signs of re-awakening, the industry concurs that prospects of a recovery remain distant. Figures compiled by Aérospatiale, the French state-owned aerospace group and the largest helicopter manufacturer in Western Europe, show little evidence of an imminent turnaround since the crash in oil prices at the beginning of the decade.

Annual new civil and para-public helicopter registrations in the non-communist world peaked in 1981 at around 1,300 helicopters. By 1983, they had slumped to less than 600 new registrations. For the past two years, they have been hovering around the 500 level. "The civil market is improving, hot not very significantly," says Mr Jean Francois Bigay, the director of Aérospatiale's helicopter division. "But the market remains essentially flat and we don't see the same sort of recovery as in the 1960s or late 1970s," he added.

The figures are equally eloquent for the military side of the business. The market for military helicopters in the non-communist world surged during the Vietnam war in the 1960s, especially in the US. New orders rose sharply from 1,500 helicopters in 1966 to more than 4,000 in 1967. But by 1972, annual orders had plunged to around 1,200 and have been averaging less than 1,000 a year ever since.

Re-equipment and modernisation of armed forces are expected to sustain new military programmes for attack, support and troop transport helicopters but are unlikely to provide a significant boost in the number of annual orders, the industry forecasts. And this does not take into account the eventual impact of disarmament on the military market.

Under the circumstances, it is hardly surprising that co-operation has increasingly become the name of the game. With over-capacity and over-supply of helicopter companies in the industrialised world – Western Europe has four main helicopter manufacturers, Westland, Aérospatiale, Messerschmitt-Bölkow-Blohm (MBB) and Agusta, competing with the US's four big manufacturers, Sikorsky, Bell-Textron, Boeing and McDonnell Douglas – co-operation is seen as the most logical way forward to restructure and rationalise the industry.

"You are likely to see more and more co-operation in the future," says Mr Alan Jones, the new chief executive of Westland, whose group has long established ties with Sikorsky and is co-operating with Agusta in a £1bn programme to develop a new 30-seat helicopter for the military and civil market.

"Co-operation can provide a relatively painless solution to the rationalisation of the European helicopter industry. But if co-operation fails, you are likely to see some corpses in the market," warns Mr Bigay of Aérospatiale.

In recent months, Sikorsky has also been calling for greater international co-operation in the civil market. The US manufacturer said last month it was now focusing on the commercial market because the improved climate of global co-operation was opening new opportunities for civil helicopter transport.

In the military field, Sikorsky's Mr Buckley said that up to now there had been limited co-operation. In Europe these include the Franco-German NH-90 troop carrier and the bigger Anglo-Italian EH101 transport helicopter as well as the Franco-German HAP/HAC attack and support helicopter. On the other side of the Atlantic, US companies are teamed up for the LHX attack helicopter and the V-22 tiltrotor programme to meet US military requirements.

Besides the need for enhanced co-operation, the civil helicopter industry faces many other daunting hurdles before it can hope to see a strong recovery of the commercial market. Weak oil prices are expected to continue to hold down demand for helicopters from the offshore oil sector, a prime customer for civil helicopters. General public perceptions about helicopters and their impact on the environment must also radically change if helicopter transport in city centres is to be developed.

Recent studies by manufacturers show that demand for helicopter shuttle and commuter services is growing. Helicopters could clearly meet the needs of new integrated transport systems and Japan is already considering extensive use of helicopters as one solution to its transport problems. All the studies indicate a growing perception among public and private transport bodies of the potential helicopters could provide to help resolve the congestion on the ground and in the air now threatening air transport.

But the industry also concedes it will probably take a long time before helicopter transport wins wide acceptance from the public. A telling sign of the industry's sentiment was Sikorsky's recent decision to shelve, for the time being at least, plans to develop a large civil helicopter, which the company claimed would become "the 747 of helicopters".

The US group said last month that development of a 75-100 passenger helicopter remained an attractive and viable long-term goal. But it added that it would probably be economically feasible only several years beyond its original turn of the century target. Instead, Sikorsky said it was now focusing on increasing the size and power of its existing S-76 twin-turbine helicopter as a possible next step.

However, manufacturers believe that new engineering and technological breakthroughs will help change the way the public perceives helicopters. Technological improvements will make helicopters quieter and smoother for passengers, Mr Buckley said at the Paris Air Show. Equally important, he added, they will become more welcome neighbours because of the significant reduction in helicopter noise. Increasing speed and reducing noise were the two priorities in new helicopter development, Mr Bigay, of Aérospatiale, also added.

Among the most significant advances in helicopter technology is the tiltrotor developed by a US partnership between Bell-Textron and Boeing. The tiltrotor is an aircraft which takes off like a helicopter and then converts in flight into a conventional aircraft. Bell and Boeing are currently developing a military version of the aircraft for the US armed forces called the V-22 Osprey. But the two companies believe tiltrotor technology could eventually be adapted to the civil market.

McDonnell Douglas is also increasingly confident about the prospects of another significant innovation in helicopter engineering developed by its helicopter division. This involves a revolutionary design called "Notar" – a "no tail rotor helicopter." In this design, the usual high-speed rotating fan on the tail boom of conventional helicopters is replaced by a stream of air from the aircraft's engine. This makes the helicopter easier to fly, while increasing safety and reducing the pilot's workload.

McDonnell Douglas is applying this technology to the new MD-520N, a variant of its widely-sold MD-520 five-seat helicopter, and to a wholly new eight-seat commercial helicopter, the MDX. The company announced last month that these two new "Notar" helicopters had already helped make 1989 the best year ever for helicopter sales at McDonnell Douglas.

Orders for commercial and light military helicopters totalled 426 in the first nine months of this year including 217 MDX and 113 MD-520N helicopters, the company said. Deliveries of the MD-520N are due to begin in late 1991, while MDX deliveries start two years later.

Customer response to the new McDonnell Douglas "Notar" concept is a clear sign of the crucial role technological innovation will play in helping to regenerate the helicopter market. That, coupled with much broader international co-operation, is likely to be the way ahead for the industry.

Roderick Oram on a revitalised US sector

Diversified growth out of slump

OVER the past couple of years US helicopter makers and operators have finally put their traumatic recession of the early 1980s behind them and heve begun to enjoy moderately brisk and more diversified business.

Their troubles bad begun at the beginning of the decade when rising oil prices fueled exploration, generating in turn strong demand for helicopters. But collapsing oil prices turned boom to bust almost overnight.

Ueliveries of new civilian helicopters fell from a record 1,366 aircraft in 1980 to some 350 hy 1983, according to the Aerospace Industries Association of America. Business limped along at these levels through the mid-1980s hefore picking up e bit. In 1987, 77 aircraft were delivered to US customers and 281 to foreigners. Last year 103 were sold at home and 280 abroad.

"We're starting to see pretty good demand after a desperate period," said Mr Dick Tipton of Bell Helicopter, a subsidiary of Textron.

Makers attribute the upturn to a partial recovery of the energy hnsiness, pent up demand for new aircraft because of ageing fleets and a shrinking supply of used helicopters, and a hroadening base of users.

Typical of the first factor is the story of Air Logistics, a Louisiene company which believes it is the second largest US operator wlth a fleet of some 140 helicopters worldwide. Heavily dependent on serving the energy hnsiness, "we had to go through a significant restructuring to survive," said Mr George Small, chief financial officer. It bought some small competitors in the process but spent no money on new aircraft. But now that activity has picked up in the Gulf of Mexico "we're looking et good short-to-medium term prospects." To expand its fleet and to replace some older aircraft it took the plunge earlier this year and ordered 31 Bell 206L3 helicopters for delivery in 1990-1992.

The market for used helicopters has turned tricky in both supply and price terms. The supply shrsnk rapidly in recent years as operators took the smaller financial gamble of buying second hand rather than new aircraft.

Moreover, hundreds of used US aircraft bave been exported to Japan in the past few years. Since the Tokyo Government began deregulating aviation in 1982, helicopter use has blossomed in that country.

As e result, prices of used helicopters have been rising st a rough average of 35 per cent a year, estimates Mr Frank Jensen, president of the Helicopter Association International, a US industry group.

Rapidly rising prices of new machines has been another powerful factor. Many operators are angry with the makers who reply they are only passing on the cost of hetter equipped aircraft and increases in product liability insurance.

The operators are also feeling badly sqneezed by equally expensive spare parts and other rapidly rising running costs. To some extent this is being offset by more reliable aircraft which need less maintenance, Mr Jensen said.

Staffing is a growing concern, however. Most US pilots are retired servicemen. Bnt hecause of hudget cuts and increased use of simnlators in the services, many are leaving the military with less than 1,000 hours flying time compared with several thousand hours a few years ago. There is still no shortage of pilots overall but they are hard to find in some parts of the country.

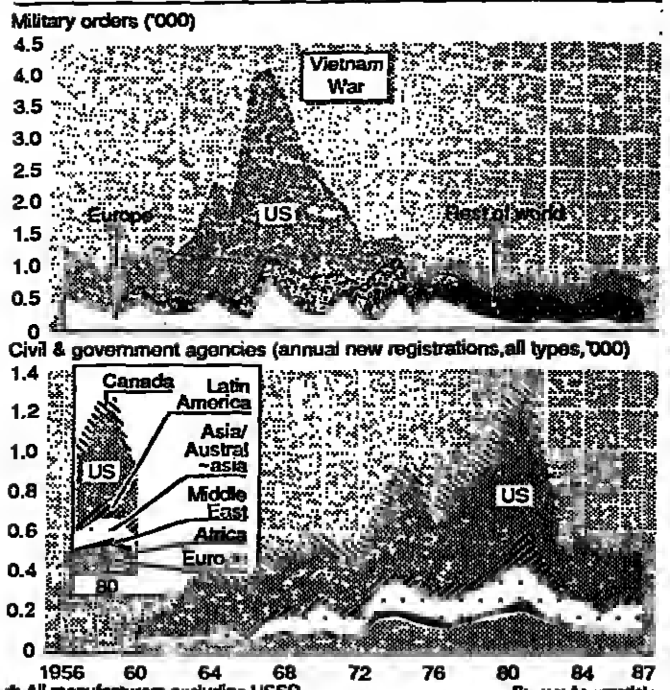
Another reason for growing demand is the diversification of helicopter use. One of the strongest areas is emergency medical services operated by big hospitals. Only two such services existed in 1972 but the number rose to about 50 by the early 1980s and 100 by 1985.

Police and other government agencies are also turning more to helicopters, a factor which has bolstered, for example, the sales of Schweizer Aircraft, an upstate New York maker of small helicopters. "We're seeing our strongest market for five or six years with sales up by between 20-25 per cent over last year," said Mr Paul Schweizer, vice president.

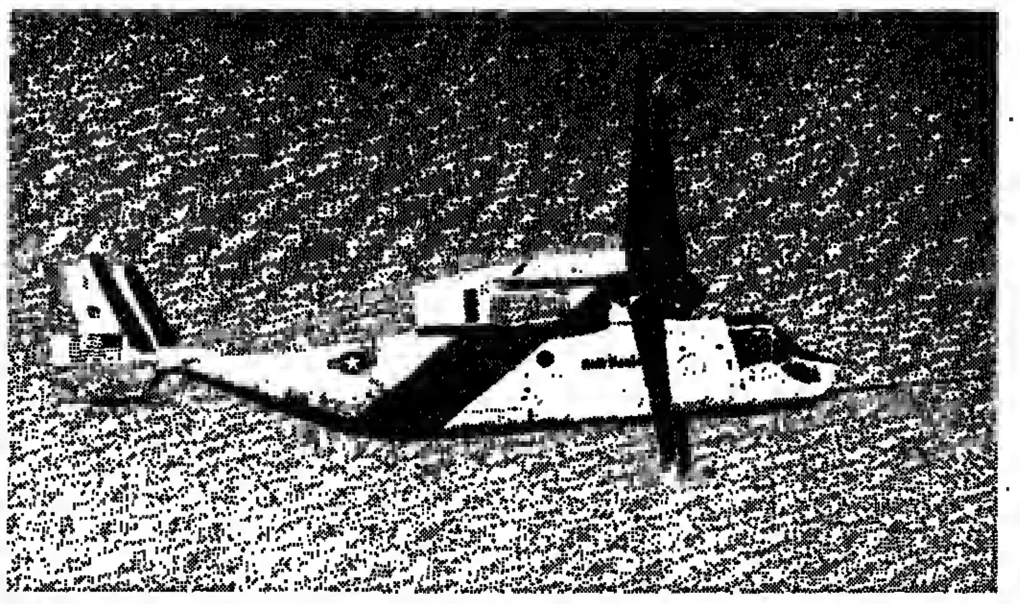
The picture on the military side is somewhat more mixed. Thanks to the bounteous Reagan defence budgets, the Pentagon's purchases rose from 189 helicopters in 1980 to a peak of 306 in 1985. They fell back to 242 last year, although escalating prices meant a record value of $1.84bn.

The outlook is highly uncertain. The Pentagon still lacks e budget for the current fiscal year which began in October. All helicopter programmes are under scrutiny hut the one in real jeopardy is the V-22 tiltrotor aircraft made jointly by Bell and Boeing.

Helicopter market*



* All manufacturers excluding USSR. Source: Aerospatiale



US defence cuts have threatened the future of the V-22 tiltrotor made jointly by Bell and Boeing

David White on arms reductions and uncertainty

Military's musical chairs

THE GAME of musical chairs has been reinvented in the military helicopter business. The rules are more complicated. Instead of one player per chair, with one chair too few, in this game the players may sit two or more to a chair. They may also sit across chairs. But then at least one of the chairs is going to collapse.

To the familiar problems of an excessive number of manufacturers and overlapping projects has been added a fresh element of uncertainty with the rapid evolution of the conventional arms negotiations in Vienna. Reductions in total combat helicopter numbers for both the Warsaw Pact and Nato are on the negotiating table.

However, military planners in the UK and elsewhere see the role of helicopters being reinforced after an arms reduction, in the search for more flexible and mobile forces.

The handful of new projects on the drawing board in Nato countries all either involve, or are being considered for, international collahoration. Through a complex web of alliances, the four European manufacturers – France with Aérospatiale, the UK with Westland, West Germany with Messerschmitt-Bölkow-Blohm and Italy with Agusta – have plans covering a full range of military needs except for the heavy Chinook end of the market.

They, together with the two countries that want to get in on the husiness, the Netherlands (through Fokker) and Spain (CASA), are all co-operating, but in none of their four co-operative projects are the partnerships the same.

The most widely involved is Agusta, to the extent that some in the UK qnestion whether the Italian manufacturer can sustain four ventures simultaneously: its own A129 Mangusta for the Italian army, the EH101 navy/utility helicopter (jointly with Westland), the LAH light attack helicopter (also with Westland, plus the Dutch and Spanish) and the NH-90 naval and tactical transport (with the French, Germans and Dutch).

The French and British, despite having collaborated in the past, currently have none of these new projects in common. The most direct competition is in anti-tank helicopters. The six countries want about 700. Against the LAH, France and West Germany are pitching in with the PAH-2. Like the LAH, it has been dogged by delays, difficulties in accommodating different requirements, and doubts.

The four LAH countries managed to agree in March to go ahead with a cost-definition study. The project is a beefed-up version of the Mangusta, designed to carry the planned three-nation Trigat anti-tank weapon.

Recommendations to governments are due by March next year. Britain is widely tipped to pull out. and the Netherlands to follow. In any case, only one of the two European projects is expected to survive.

If the UK drops the LAH, its likely choice would be between joining the PAH-2, as the French want, and the McDonnell Douglas AH-64 Apache, for which Westland would step in as UK prime contractor. The Apache is generally regarded es the most capable machine of its kind available and is much fancied within the British army. The US company recently received its 500th Apache order, with a development contract for e B model, which would also be its UK candidate, incorporating a millimetric-wave radar mounted above the rotor.

A more heavyweight proposition than either the PAH-2 or the LAH, carrying 16 anti-tank missiles time as opposed to eight, it is also an expensive option at an estimated $14m, to which the cost of reconfiguring for Trigat would have to be added.

The UK has also been looking at the next big US development, the LHX armed reconneissance and light attack helicopter. A $40bn programme now in the middle of an 18-month technology demonstration phase, with Boeing and Sikorsky vying against MDD and Bell, it is designed to replace several different models, complementing the US Apaches. Its role is seen as being more for low-level reconnaissance.

The US Army, which plans to buy some 2,000, is considering a European share in the project, and Congress has been pressing for international collaboration.

Western developments in battlefield belicopters are set against rapid advances by the the Soviet Union, which had extensive recent experience in Afghanistan with the Mi-24 Hind gunship. Its latest Mi-28 Havoc, an anti-armour helicopter with e similar weapon load capacity to the Apache, made its western dehut at this year's Paris air show. Following it is the Ka-34 Hokum, apparently dedicated to an anti-air role, anticipating that of the LHX.

Uncertaintles in Western Europe are not limited to the attack helicopter issne. The first UK production order is anxiously awaited for the EH101, the anti-submarine version of which made lts maiden flight in October.

The manufacturers hoast "strong soldier appeal" for the helicopter as a troop trensporter. But the Ministry of Defence, after pulling out of the smaller NH-90 project two and a half years ago and initially stating it had no requirement for Westland's Sikorsky-licensed Black Hawk (due to be sold to Saudi Arabia), has still to make its final preference clear.

The NH-90 Nato naval and transport project has also been plagued with problems, and is abont nine months behind schedule. But full development should, in principle, start next year.

Michael Donne on the steadily improving UK commercial market

Flexibility of use a premium

THE UK commercial market for helicopters – that is, the demand for rotary-winged aircraft for all purposes including scheduled services, contract and charter work, and for corporate or private individual use – has been growing steadily over recent years, but has particularly gathered momentum during recent months.

Whereas the number of helicopters on the UK Civil Aviation Authority register stood at 674 at the beginning of this year (compared with 545 at the beginning of 1985, a rise of more than 20 per cent), this figure had risen to 758 by early April, and further to more than 800 by late-October.

While many of these are small aircraft used either by private individuals or companies, the biggest individual category accounting for well over 500 aircraft is for helicopters licensed for public transport duties and used by commercial operators for a vast range of contract or charter work (only a small number are used for regularly-scheduled fare-paying passenger services).

Of those tasks by far the biggest single activity is support of the offshore oil and gas industries, especially in the North Sea. Indeed, the rapid development of the offshore sector could never have been achieved so rapidly, nor could they now be sustained so efficiently in all weathers, without the extensive use of helicopters, capable as they are of transporting personnel and supplies directly onto and off the rigs and platforms.

The biggest base for such activity is at Aberdeen, where passenger traffic (most of it oil and gas industry related) in the 12 months to end-September amounted to nearly 1.7m, up by 5.6 per cent on the previous 12 months. Out of just over 73,000 transport aircraft movements at Aberdeen in the year to end-September, more than half, at 39,206, were helicopter movements, about the same as in the previous 12 months.

But the helicopters also perform other tasks such as coastal rescue, aerial ambulance tasks, observation and survey (including aerial photography and prospecting), flying training, aerial taxi work and executive transport.

It has been claimed that there is virtually no transport task the helicopter cannot perform, by virtue of its operational flexibility. It is capable of both average and slow forward flight, and of landing on roofs, in playing fields, car parks, on the decks of ships, indeed anywhere where there is a flat surface with sufficient clearance for the aircraft's rotor blades, allowing an adequate margin for safety.

Moreover, contrary to some impressions, a great deal of time and attention is paid to helicopter safety, which in the UK is of a high standard. Mr David Dollar, chairman of both Dollar Helicopters and the British Helicopter Advisory Board (set up some 20 years ago to promote the wider use of helicopters) says that where safety is concerned, "we had a most successful year in 1988, with no helicopters at all involved in fatal accidents in the UK."

Over the past 10 years, the public transport operation of multi-engined helicopters in the UK has resulted in only one fatal accident for every 200,000 flying hours, which compares favourably with the accident rate for fixed-wing turbo-propeller aircraft.

This is a remarkable achievement, especially when one considers that most of the UK helicopter experience is in the demanding and inhospitable environment of the North Sea.

The rapid development of the offshore oil sector could never have been achieved so rapidly without the extensive use of helicopters

Efforts are currently under way to improve standards even further, such as development of electronically-based "health and usage monitoring systems" to detect defects at an early stage, and the introduction of flight data recorders to enable swift and accurate assessments of causes of any accidents that may occur.

The UK helicopter operating industry is substantial and growing. The British Helicopter Advisory Board lists more than 30 commercial helicopter operators, with bases spread throughout the UK, and with a combined fleet of several hundred aircraft, ranging from the smallest, the Robinson R-22 Beta single-engined two-seater, to the largest, such as the US Sikorsky S-61N, one of the world's greatest "workhorse" helicopters capable of carrying up to 26 passengers.

By far the largest operator is Bristow Helicopters, with a fleet of around 80 aircraft, including Sikorsky S-61N Mark 2s, as well as Aérospatiale Super Pumas (which Bristow calls Tigers), capable of carrying up to 19 passengers and Sikorsky 5-76 Mark 2s, capable of carrying 12 passengers.

Civil Aviation Authority statistics show that in 1988, Bristow carried nearly 730,000 passengers on nearly 92,000 flights, many on North Sea support operations. Another big operator is Bond Helicopters, which last year carried nearly 500,000 passengers on nearly 115,000 flights with a fleet of 35 aircraft.

Most of the UK operators' activities are non-scheduled service charter or contract operations. Last year, for example, there were more than 47,000 individual air-taxi operations alone by helicopters in the UK.

Where regularly-scheduled fare-paying passenger operations are concerned, the main operator is British International Helicopters, which flies between Penzance and the Scilly Isles, using Sikorsky S-61Ns, on which route it carried more than 86,000 passengers last year.

Such regularly-scheduled fare-paying passenger operations in the UK have been slow to develop, for a variety of reasons. Probably the most significant reason has been the lack of suitable "heliports" on which to base a network of regular and frequent fare-paying passenger services.

In addition to the home bases of its 30-plus commercial helicopter operating members, the BHAB lists 12 heliports run by its members.

In addition there are eight others offering facilities for connecting with fixed-wing aircraft operations, and another seven non-BHAB member heliports. There are also some 170 "helipads" available to helicopters on a "prior permission only" basis and at the pilot's own risk, but many of these are operated by hotels primarily for the benefit of their guests, and do not have facilities such as fuel or hangarage.

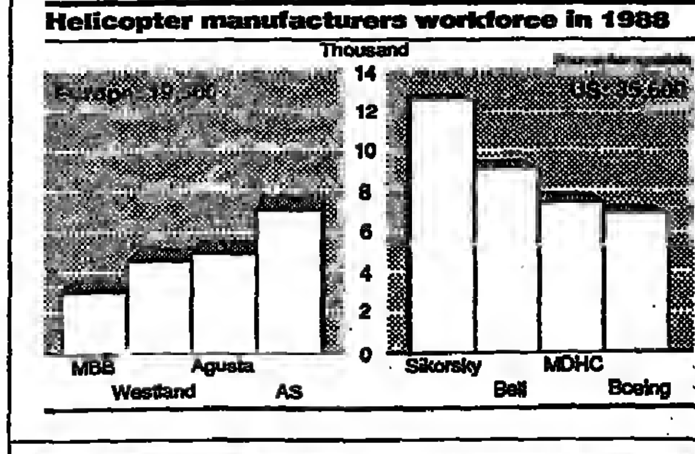
This amounts in all to more than 200 heliports, helipads or other recognised landing sites available in the UK. Although many of them are small and therefore unsuitable for the larger types of aircraft that would be needed by operators of regular fare-paying passenger services – thereby inhibiting the development of such operations – they are still more than adequate for either private or corporate owners or for charter operations.

Part of the reason for the lack of city-centre heliports, and therefore the lack of regular acheduled services, has been the environmental objection to helicopters, primarily on the basis of noise.

A fresh attempt is now being made to introduce a new heliport in London, to complement the overcrowded Westland Heliport at Battersea, after various other attempts in recent years have failed through environmental objections by many of the London boroughs. The latest bid is by a consortium of City interests, which proposes a site in the Pool of London on the Thames between Cannon Street and London Bridge.

This plan, announced recently, is expected to go to a public planning inquiry, and there are hopes that after the collapse of all other schemes in the past few years, commercial wisdom will at last prevail and ensure that the City of London, one of the world's prime financial centres, at last gets a permanent public heliport of its own.

Helicopter manufacturers workforce in 1988



Paul Betts on the tiltrotor, seen by many as paving a new era in civil and military aviation

Questions unanswered

CUTS in US government defence spending have cast a shadow over one of the most exiting recent technological developments in the field of helicopters and aerospace.

But in spite of the US budgetary axe, Boeing and Bell-Textron are actively pursuing the development of their V-22 Osprey tiltrotor aircraft which takes off like a helicopter and then through the rotation of the engine nacelles, becomes a fixed wing aircraft.

Indeed, the Boeing-Bell joint tiltrotor programme has become one of the most hotly contested aspects of the US defence budget debate following Pentagon proposals to cut funds for the programme next year. The project has many supporters because it is seen as paving the way to a new era not only in military aircraft but also in civil aviation.

"For some, tiltrotors are seen as helicopters that go fast. For those of broader vision, tiltrotors are seen as turboprop airplanes that do not need runways. Tiltrotors provide speed in the air, and demand little space on the ground. It is a new era in aviation," said Mr Jim Schwalbe, the director of tha joint Bell-Boeing programme.

The new tiltrotor aircraft has already successfully demonstrated its capabilities. Last September, a Bell-Boeing V-22 prototype achieved full conversion from helicopter mode to aircraft mode in flight at an altitude of 6000 ft.

Under the $1.8bn development contract from the US Naval Air Systems Command, now threatened by US defence budget cuts, Boeing and Bell are due to manufacture six V-22 prototypes. The two companies say that current requirements call for 657 aircraft for the US Marine Corps, the Air Force and the US Navy.

But they also add that tiltrotor technology could help alleviate growing congestion at airports and in the air with the current military programme

The Boeing-Bell joint tiltrotor programme has become one of the most hotly contested aspects of the US defence budget debate

providing the technology and experience for a civil version of the V-22, especially designed for the world's business and commuter transport system.

"Many aviation authorities agree that the tiltrotor has the promise of providing a vital new element in the world's air transport system," says Mr Schwalbe. He added that a study by the Port Authority of New York and New Jersey showed that a new transport system using tiltrotors and a network of special landing pads, or "vertiports" as they are called, would relieve airports in the New York area of up to 8m travellers.

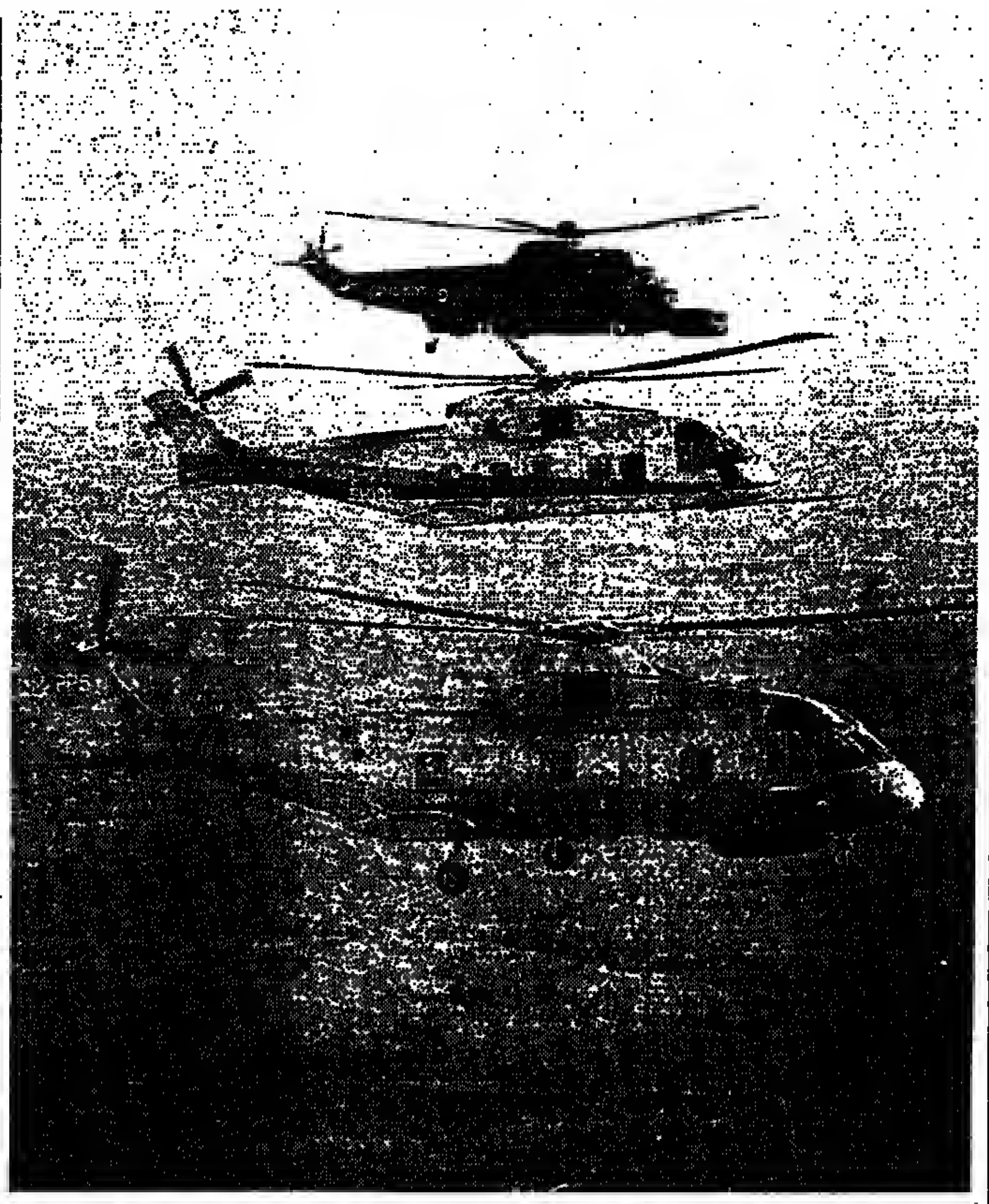
However, he conceded that many questions remained unanswered about the development of civil tiltrotors, especially on overall costs and potential market demand. A study sponsored by the US Federal Aviation Authority suggested there was a civil market from 300 smaller tiltrotors to 1,400 larger tiltrotors over the first decade of production.

But some helicopter industry experts question the market potential of the tiltrotor claiming the new aircraft risks facing the same environmental problems which have so far held back helicopter transport growth in cities.

In spite of donbts on the future prospects for commercial tiltrotor aircraft, Boeing and Bell have already established European partnerships with Aeritalia of Italy, British Aerospace and Dornier of West Germany to study possible civil derivatives of their revolutionary new aircraft.

Other European companies have also teamed np in the competing Eurofar consortium to study the development of a tiltrotor aircraft. Eurofar includes Aérospatiale of France, MBB of West Germany, Agusta and Aeritalia of Italy and Casa of Spain.

Although the immediate commercial outlook remains clouded for tiltrotors, western aerospace companies clearly feel they cannot ignore the longer term potential of this new technology.



The Royal Navy's Merlin pre-production EH101 (bottom) together with its civil version (centre)

AEROSPATIALE

Co-operation a fact of life

MR JEAN Francois Bigay, the director of the helicopter division of Aérospatiale, the French state-owned aerospace group, says co-operation is an inevitable fact of life for European helicopter manufacturers.

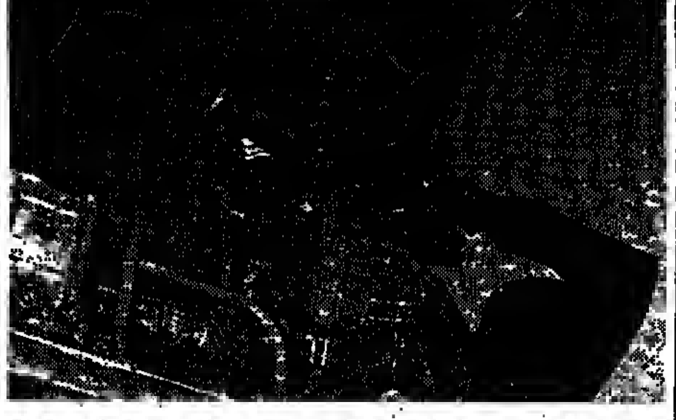
"All four European helicopter companies have the same problem. Our respective internal markets are not large enough to enable any of us to launch a new product on our own," he said in his Paris office. "But if we team up, we can launch some new products and put ourselves on the same competitive footing as the four main US helicopter manufacturers," he added.

Aérospatiale has long been one of the most ardent advocates of European co-operation in aerospace, including in the helicopter sector. It believes there is now a window open in Western Europe for broader co-operation between European helicopter manufacturers because several European countries are now seeking new support and attack helicopters to modernise their armed forces.

But Mr Bigay warns that if European manufacturers and their governments do not seize the opportunity now military helicopter programmes are now offering the industry, the window is likely to close with possibly severe repercussions for the future of some manufacturers.

Since 1967, Aérospatiale has co-operated with Westland on the Puma, Gazelle and Lynx helicopters. Although the French company was bitterly disappointed a few years ago when Britain rejected its rescue proposals for Westland, Aérospatiale has continued to work closely with the Yeovil manufacturer.

The French group is now working with MBB of West Germany on the Franco-German support and combat helicopter HAP-HAC programme. It is also developing with MBB, Agusta of Italy and Fokker of the Netherlands, a new military transport helicopter, the NH90, in which it would like to sea Britain and Westland return as an additional partner. In the new generation tiltrotar helicopter field, Aérospatiale is co-operating in the Eurofar consortium with MBB, Agusta, Casa of Spain and Aeritalia of Italy.



Aérospatiale's Spheriflex rotor head: the French company has been a strong advocate of European co-operation in aerospace

Aérospatiale clearly sees itself well positioned to play a leading role in European helicopter co-operation because of its strong position in the world market. Its helicopter division is the largest helicopter manufacturing entity in Western Europe employing about 7,000 and with a turnover last year of FFr 6.2bn. Nearly 75 per cent of its sales are exports and the company boasts the widest range of helicopters in the western world.

"We have always been an export driven company," explains Mr Bigay, claiming that the company is now the biggest exporter of helicopters in the world even though it is not as large a company as some of its US competitors.

Unlike US helicopter manufacturers, which are heavily dependent on their domestic military market, Aérospatiale cannot rely on its internal market to survive. "We have always had to develop our products with an eye on the export markets," Mr Bigay said.

This strategy has so far paid off. After losing money a few years ago following the slump in the civil helicopter market after the second oil crisis, Aérospatiale's helicopter division is now comfortably in the black. "Our profits are now the equivalent of well over 5 per cent of our annual turnover," said Mr Bigay. The French group chalked up more than FFr 9bn in new orders last year and axpects new orders this year to total between Ffr 9bn and Ffr 10bn.

Mr Bigay expects demand for military helicopters to remain relatively flat aven though Europe now needs to re-equip its armed forces. The civil helicopter market is also likely to remain flat, although Mr Bigay says there have been some signs of improvement.

Like other leading manufacturers, Aérospatiale is concentrating now on two crucial areas of technology which are likely to play an increasingly significant role in the future evolution of helicopters. These include research and development to increase the speed of helicopters on the one hand, and to reduce noise and vibration on the other. Bnt ultimately, Mr Bigay insists, the future for European manufacturers will hinge on co-operation.

Paul Betts

Messerschmitt-Bölkow-Blohm

Slowly shifting its ground

MUNICH-basad gronp Messerschmitt-Bölkow-Blohm (MBB) dominates West Germany's helicopter industry. It took over the last of its West German competitors almost 10 years ago. After absorbing Vereinigte Flugtechnische Werke in Bremen and acquiring 50 per cent of Henschel Giugzeng Werke in Kassel, MBB emerged as the only manufacturer of helicopters in West Germany with a yearly turnover of DM449m.

Twin-engine police and medical service hellcopters have become MBB's trademark. Its five to six-seater flagship, the BO 105, continues to sell well world-wide, particularly in the US.

In 1988, MBB developed a multipurpose helicopter called the BK 117.B-1, which it manufactured in co-operation with Kawaski Heavy Industries of Japan. It has proved to be the best selling twin-motor rescue helicopter world-wide.

At the moment, MBB exports between 80 per cent and 90 per cent of its helicopters. In some cases, Messerschmitt modifies its civil aircraft for military use. A military version of the BO 105 called the PAH-1 anti-tank helicopter and various civil versions have been sold in Europe and elsewhere.

Increased dependency on exports badly hurt the corporation two years ago. Market stagnation, which MBB blames on the fall in oil prices and the decline of the dollar put revenues in a tail-spin.

Its lesson learned, MBB raised its prices for civil aircraft and began consolidating its losses. Thanks in part to its workhorse, the BO 105, and its joint German-Japanese project – tha BK 117 helicopter – MBB reduced its losses by 50 per cent last year. In June, it announced a new generation twin-engine helicopter, the BO 108.

A final answer to the slump could be military contracts. There is some indication the manufacture of civil aircraft may soon take a back seat to MBB's military projects. Not only has MBB incorporated its helicopters division into its military aircraft group, but it has made it otherwise clear that future helicopter development will concentrate on military models.

Of the three main MBB projects under development, two are military – the antitank helicopter PAH-2 and the Nato helicopter of the 1990s, the NH90. The third is the BO 108.

The Franco-German PAH-2/HAC, HAP anti-tank helicopter should begin its main development phase this year. A government go-ahead in November would make MBB responsible for the main rotor, front fuselage section including cockpit, hydraulics and flight control prototype assembly. The helicopter would carry eight anti-tank missiles HOT-2/Trigat, and four air-to-air missiles (stinger for Germany and Mistral for France).

According to MBB chief exacutive Mr Hans Arnt Vogels, military projects like the PAH-2 anti-tank helicopter are milestonas in securing capacity and aiding technology research.

The project is being developed to equal parts by the French company Aérospatiale and MBB. The total cost of the programme is DM18hn. By 1998, the Germany army would get 212 PAH-2 helicopters. The French army would get its first HAP escort hellcopters – developed from the PAH-2/HAC a year earlier.

Government snpport has been forthcoming. The West German Federal Office for Military Technology and Procurement has signed a development-initiation contract with Eurocopter – which is owned equally by Aérospatiale and MBB – giving Eurocopter some DM270m to develop the project.

In addition, MBB and other leading national aerospace companies have completed the project-definition phase of the NH90. The concept is based on development of one versatile basic helicopter as a weapons platform. Each country provides its own specifically-designed "bnt largely harmonised" equipmant to warrant what MBB calls multi-mission capability.

Four companies are involved in the project: Aérospatiale (France) MBB (West Germany), Gruppo Agusta (Italy) and Fokker (Holland). It is estimated that the military services of participation countries, West Germany, France, Italy and the Netherlands, will require at least 700 helicopters.

MBB sees the project as critical for the European helicopter industry – as well as its own wall-being. Market analysis show a potential of well over 1,000 helicopters by 1999.

Don Kirk

WESTLAND

New direction after a period of turbulence

THE restructuring of Westland, the UK helicopter company, has entered a crucial phase. Four years after the financial reconstruction of the Yeovil-based helicopter manufacturer and the political storm over its future which badly shook Mrs Margaret Thatcher's government, the group is now about half way through its recovery programme.

"We are now a group working in two different areas: helicopters and aerospace where we manufacture control systems for aircraft at Westland Technologies and components for civil aircraft at Westland Aerospace," said Mr Alan Jones, the company's new chief executive. "I have every intention that each business will be run profitably, efficiently, and cost effectively," he added.

Only last month, the company announced plans to shed 15 per cent of the workforce of its technologies division and halt a number of unprofitable product lines as part of its overall restructuring programme.

At the same time, Mr Jones confirmed his intention of broadening the base of the company and moving the group away from essentially military programmes to increasing dependence on civil aircraft programmes.

(Five years ago, critics would term Westland as "the hand maiden of the Royal Navy" or describe it as "patronage by the Ministry of Defence.")

"Our Westland Aerospace division is the lead example," he explains. "About 80 per cent of its production is addressing a broad base of different civil aircraft."

But for all the group's efforts to diversify its operations, helicopters remain by far the biggest piece of the company's business, accounting for as much as half of Westland's total workforce of about 9,000. Its sales last year contributed £235m to the group's total turnover of £358m. Its operating profits amounted to £29m out of total group operating profits of £38m.

The future of Westland's helicopter operations is now tied to the company's joint £1bn programme with Agusta of Italy to develop the new EH101 helicopter in a series of versions. The prototype of the Royal Navy's anti-submarine version of the EH101 successfully completed its maiden flight at the end of last month. But Westland is still waiting for the production order from the Royal Navy which the company says is crucial for the future of the programme.

Westland believes the Royal Navy order for a total of 50 EH101 helicopters would unlock the door for sales of the civil and utility versions of the helicopter. Indeed, the significance of the EH101 programme for Westland is the opportunity it would give the company of returning to the civil helicopter market.

The programma is also important for Westland because it would renaw the company's product range with a new helicopter designed by the Yeovil group in partnership with Agusta with all the value added benefits such a programme has over manufacturing helicopters under licence.

Westland is now manufacturing the Sikorsky Black Hawk under licence from United Technologies, the US parent of Sikorsky which owns a 7.74 per cent stake in Westland. The Yeovil group is hoping to win export contracts for the Black Hawk in the Middle East. The Sikorsky helicopter is also being viewed as a possible option for a support helicopter for the UK armed forces.

The UK helicopter group has also reached an agreement with McDonnell Douglas to manufacture under licence the McDonnell Douglas Apache AH-64 combat helicopter now under consideration by the Ministry of Defence as one of the options for Britain's future attack helicopter to replace the Lynx, which is manufactured by Westland.

Indeed, Westland has positioned itself with a wide range of agreements with other manufacturers to ensure it will participate in whatever future land battle support and attack helicopter programme the MOD eventually selects. But the company's preferences are clearly hinged on the Anglo-Italian EH101 because of the far greater benefits it would derive from this programme.

Mr Jones acknowledges that the EH101 is "crucial" to the longer term futnre of the group's helicopter operations. "If the EH101 programme were to collapse, it would make life very difficult," he conceded. He said that the programme involving the development and production of a naval version for anti-submarine and rescue operations, a military utility helicopter capable of transporting 30 soldiers, and a civilian helicopter, would absorb as much as 50 per cent of Westland's helicopter capacity at Yeovil in the next decade.

Mr Jones also expects Westland to pursue an active strategy of co-operation and alliances with other helicopter manufacturers. "We have a good relationship with both European and American manufacturers. It is a dreadful misunderstanding if anyone says we are only close to the Americans," he said.

Mr Jones added that Westland had no alternative but to take part in European groupings at the same time as maintaining its long standing relationship with Sikorsky of the US.

Paul Betts

COMMODITIES AND AGRICULTURE

Saudi Arabia stands firm on Opec quota share

By Andrew Gowers in Riyadh

SAUDI ARABIA bas set the stage for a hard bargaining sessioo amoog Opec ministers tbis weekend by reaffirming that it is not prepared to accept eveo a token reduction in its curreot 24.6 per cent quota share of the oil cartel's output.

A report in the Nicosia-based newsletter Middle East Economic Survey, wbicb frequently reflects official views from the Middle East, yesterday underlined the uncompromising stance which Mr Hisham Nazer, tbe Saudi Oil Minister, is taking with him to Vienna, where the Organisation of Petroleum Exporting Countries is due to hold a full ministerial meeting oo November 25.

"The unshakahle linchpin of Saudi policy is that the Kingdon's current 24.46 per cent share of the Opec production represeots an absolute minimum which can under no circumstances he reduced by a single barrel. A firm decision to this effect has been taken by the Council of Ministers and there is no possibility of any alteration in this stand," the newsletter said.

The report and similar comments from officials in Riyadb yesterday wera evideotly designed to counter suggestions that Saudi willingness to accept a small reduction in its production share might pave the way for a new agreement on Opec quotas for 1990.

Iran has proposed a revised output-sharing scheme under whicb Kuwait and the United Arsb Emirates – botb of which have been over-producing for many months – would receive expanded quotas. While Saudi Arabia does not oppose such an idea in principle, officials make clear that the kingdom is not prepared to allow any quota increases at its own expense, which some Opec mambers believe woold be needed to smootb the atmosphere for all-round compromises.

This position can only complicate the task of ministers in patching together an agreement which might keep crude prices steady as demand slackens in the first and second quarters of next year.

Riyadh is taking a relatively sanguine view of the current market sitnation. Officials point with satisfaction to the continued buoyancy of prices despits a production spiral which has enabled the kingdom to boost its oil revenues by 25 per cent this year. Saudi Arabia is currently producing around 5.5m b/d, compared with a quota just over 5m b/d, and appears intent on holding out for a proportionate share of any eventual increase in Opec's overall production ceiling.

This assertive approach to Opec negotiations is based on a reawakaned Saudi consciousness of the power contained in its hnge reserves. This antumn, the kingdom – by far the world's largest oil power with proven reserves of about 255bn barrels – has embarked on an amhitious US$15bn investment programme aimed at increasing its sustainable capacity from a current 7.5m b/d to 10m b/d within the next six or seven years.

The programme will involve drilling new wells in existing fields in the east of the Kingdom and probably lightening the mix of Saudi crudes by developing new discoveries in the Riyadh region. Its aim is to give the Saudi oil industry substantial new ammunition at a time when most other members of Opec are beginning to bump up against capacity constraints.

The Saudis are sceptical that Iraq, which has set out to challenge Sandi Arabia's Opec begemony, is capable of making the big increases in capacity that it claims to be planning. They are also donhtful about Iran's financial or technical ability to sustain a substantial rise in prodnction.

JORDAN fS inviting foreign companies to explore for oil and gas near the Iraqi border, where drillers made a promising gas find last month, Reuter reports from Amman.

In October Petro-Canada International Assistance Corporstion extended by two years a technical assistance agreement with Jordan's Natural Resources Authority, raising its total value to C$47m (£25m).

Mr Kamal Jreisat, the authority's director-general, and Mr Arne Nielson, former president of Mobil Oil Canada, are heading a team to promote Jordan's hydrocarbons prospects in Houston, Texas, on December 4 and in Calgary, Canada, on December 7.

They hope to persuade companies to sign production-sharing agreements in a concession area of 14,000 sqnare km (5,385 square miles) near Risheh in eastern Jordan.

Gummer hints at hill farm compromise

By Tim Dickson in Brussels

THERE WAS little joy for British hill farmers in Brussels last night as European Community Agriculture Ministers sought to reach agreement on a new package of EC-wide structural aid supports.

Discussion on the first day of the two-day EC Farm Council was dominated by a Frencb presidency compromise on the criteria and conditions which should govern disbursement of the funds – made available under the Commnnity's reshaped structural fund programme.

Five points were unresolved after the first "table round" yesterday but the one which most concerns Britain is the proposal for so-called Hill Livestock Compensatory Allowances.

Introduced on Britain's accession to the EC in 1973 to replace a previous national scheme for farmers in less favoured areas – most of Scotland, Wales, and Northern Ireland, much of northern and soutb-west England – the HLCA scheme up to now has provided crucial top-up payments for each "livestock unit" (equivalent to one head of cattle or six sheep).

Under the Commission's proposal the idea is to maintain full EC funding on the first 45 units but limited to 50 per cent on the balance up to 90 units, with nothing beyond that. Mr John Gummer, Britain's Farm Minister, has argued strongly against the principle of any headage limit but in tbe absence of any concession on this point in the French compromise he hinted last night that he would be prepared to consider a limit in line with that agreed for the sheepmeat regime earlier in the year, or a financial ceiling linked to labour units on each farm.

Mr Henri Nallet, the French Agriculture Minister and chairman of the Farm Council, nevertheless proposed an increase from 1 to 1.3 units per hectare in the so-called "stocking density limit" – a separate criterion designed to discourage intensive management systems. Denmark, Portugal, the Netherlands and Ireland all joined the UK in arguing for s more liberal figure.

Further discussion on reforming the EC's socio-structural policy is expected later today. But last nigbt, meanwhile, Ministers were considering new ideas for breaking the deadlock over the Eoropean Commission's prcposal to allow a 1 per cent increase in the overall Community milk quota to deal with special hardship cases.

● No further arrests are expected in the Netherlands over lead-tainted animal feed thst poisoned thousands of Dutch and British cows, Dutch Public Prosecutor Mr Johannes Byvoet said yesterday, reports Renter from Amsterdam. "Investigations and interviews are continuing, hut I think we have the two main suspects in jail already," he said.

Last week Mr Cornelius De Bruyn and Mr Petrus Timmers, traders for feed company D.M. De Bruyn, were arrested and charged with knowingly selling dangerous goods without passing on a warning.

Aid 'could lift Polish food output by 5 to 10 per cent'

By Bridget Bloom, Agriculture Correspondent

AN EMERGENCY £100m aid plan involving the sale of western farm machinery, fertilisers and pesticides to Polish farmers could raise food production there by an estimated 5 to 10 per cent a year and help put the whole Polish economy on a sounder footing, a privately-funded US foundation believes.

Tbe Foundation for ths Development of Polish Agriculture, which was set up in 1988 with Rockefeller funding and has recently financed an agricultural mission to Poland, has proposed that the £100m package be in addition to US and EC food aid programmes which currently amount to some £150m.

Mr Gregory Vant, executive director of the foundation, said in London yesterday that the plan was being discussed with the EC Commission as well as with mamber governments. Baroness Trumpington, junior UK farm minister, had expressed interest in the proposals, Mr Vaut said.

However, Scottish farmers have already complained that any preferential treatment given to Polish farmers could adversely affect their market for raspberries and other fresh fruit, a reaction likely to be shared by others in the EC if Polish agriculturs became more competitive as a result of western aid.

The emergency plan would be aimed at providing Poland's 2.3m private farmers with the agricultural inputs they had been deprived of by the inefficiencies of the state farm sector, Mr Vaut said.

Among ths most urgent requirements were such relativaly unsophisticated farm implements as maize pickers and hoppers, rotary hay mowers, balers and rakes and manure spreaders. Infra-red light hulbs for pig farrowing as well as high protein feeds, fertilisers, pesticides and plastic spray equipment were also needed, he said.

The foundation would like to see the emergency programme under way in time for planting next April. It anvisages EC governments buying equipment from suppliers, and, through the help of an intermediary like the foundation, selling it to farmers for local currency, the proceeds being used for other activities, like training or extension work, within Poland.

The foundation's assessment of Poland's needs follows a visit last August by a dozen international agriculture experts led by Mr Norman E. Borlaug, the agricultural scientist and Nobel laureate who led an earlier mission in 1982. The August visit was undertaken partly to advise the Polish Government on measures needed to adjust agriculture to a market-oriented economy.

Althougb Poland bas operated under a command economy since the war, private farmers still account for some 75 per cent of production. The foundation FDPA estimates that of the major farm sectors, dairy production and horticulture, inclnding fruit and vegetables, are 95 per cent privately-run, pig production is 75 per cent private while perhaps 40 per cent of the country's grain is produced on some 4,000 state farms.

Ths 2.3m private farms consist of about 1m very small farms (less than 5 bectares), many of which are run part-time or by farmers over 65. Nearly 40 per cent of Poland's population is thought to be involved in farming or food processing and retailing.

The foundation's mission found that though the potential for increased productivity within the private systam appeared great, the distortion and constraints placed on private farmers hy the state sector were very considerable. "In practice farmers have little alternative but to sell to the monopoly enterprises tbat comprise tbe state's procurement system, since the availability of inputs are tied to sales" its report notes.

In the short term, Mr Vaut said he believed the £100m input programme could boost farm production by 5 to 10 per cent a year over tbe next five years. In the longer, term, the foundation stresses the importance of Western aid in giving farmers access to capital and credit, research and farm extension services as well as advice on new technology, business management and technical expertise in a redesigned food processing sector.

An Assessment of Polish Agriculture and the Food Economy. Ruder-Finn, 4 Buckingham Place, London SW1. £37.50

Museveni urges coffee cartel

PRESIDENT YOWERI Museveni of Uganda has urged the world's coffee growers to form an Opec-style alliance in order to curb ootput, drain a glut in supplies and pusb np currently depressed prices, Reuter reports from Kampala.

Opening the annual meeting of the 25-nation Abidjan-based Inter-African Coffee Organisation (IACO), he said: "An organisation of coffee exporting countries should be formed immediately and, as a first step, it should seek a consensus from all member countries to cut coffee production by 10 per cent of capacity as of January 1990.

"Further cots should follow if the resultant price recovery continnes to be unsatisfactory in the view of producer countries," be added.

Tbe formation of such a body might be questioned in some quarters, he said. "Some of our friends may say we have formed a cartel. . . We would like not (to) form cartels if the world was perfect. Bnt the world is not perfect."

President Museveni said Uganda, which relies on coffee for more than nine-tenths of total export income, had suffered severely since the International Coffee Agreement collapsed last July, sending prices tumbling.

Over the past six months, he said, tbe East African country's terms of trade had worsened by 30 per cent as a result of the price drop and a further 5 per cent due to an increase in the dollar price of imports.

This translated into a loss of $120m a year at current prices.

"Wa simply do not see any justice in subjecting our population to markets which swing from one extreme to another – at the whims of commodity dealers and speculators," be declared.

He asked whether it was not better for all producers, under the proposed alliance, to sell 4bn kg of coffee at $2 a kg and share $8bn in revenue than to drive prices down to $1bn a kg, still sell only 4bn kg and end up sharing half the sum they could have got.

The proposed organisation should be able to find a way of sharing the higher revenue in such a way that every producer was better off, he said.

He noted Africa had its best revenue from robusta coffee for 25 years in 1987, wben it earned $2.6bn, despite selling less in that year than in any other over the same period.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium	+8,025	to 48,375
Copper	+12,000	to 114,650
Lead	450	to 27,275
Nickel	1,476	to 3,780
Zinc	−4,125	to 59,775
Tin	−730	to 7,775

Jute producers pin hopes on green tendency

Reazuddin Ahmed reports on the international pact meeting

ANXIETY WAS mixed with bope at last week's meeting of the 32-member International Jnte Council in Dhaka last week. The main canse for concern was the continuing onslaught on tbe sacking and carpet-backing markets of cbeaper synthetic fibres. But the rising priority of the environment on the international agenda gave some reason for optimism that the non-biodegradable invader might soon be in retreat. Jote prodncers were painfully aware, however, that snpply and quality prohlems needed to be addressed if the contest was not to go by default.

The three-day meeting in the Bangladeshi capital approved three new promotion and development projects and extended six others. The projects inclnded schemes for widening tbe market for jute, kenaf and allied fibres, and for improving quality.

The International Jnte Organisatiou began its first five-year term (later extended by two years) in 1984 following the ratification of the International Jute Agreement, negotiated two years earlier. Two weeks ago a second five-year term was agreed, to begin in 1991, for which ratification will open next January. Ratification is required from members representing 85 per cent of production and 65 per cent of imports.

Mr Harbans Singh, chief executive of the organisation, said the $6m funding for the extended projects was already arranged and that the organisation had spproached the UN Common Fund for Commodities, which comes into operation early next year, for a further $3.5m cash injection.

At last week's session contribntions were announced by Sweden, $100,000; The Netherlands, $90,000; Norway $30,000; and Bangladesh $25,000.

The IJO's exporting members – India, Bangladesh, China, Nepal and Thailand – contribute 50 per cent of the administrative budget with the other half coming from the 27 consuming msmbers. Indonesia, altbough an importing country has recently joined the producers' group.

Mr Singh said following the Dhaka meeting that the IJO's greatest achievement had been in providing a forum for jnte producers and consumers. But he was cautious about the market outlook, pointing out that the IJO's involvement was limited to research and market development.

Many importers attending the meeting expressed disappointment at the level of jute prodnction. They estimated that export demand for raw jute was 100,000 tonnes, of which Bangladesh normally supplied 80 per cent. But the country was now running short of material and this year it might not be able to export more than 65,000 tonnes.

According to figures presented by the IJO scarcity of seed, drought and higher seed prices in Bangladesh and India resulted in world production of jute, kenaf and allied fibres falling to a 20-year low of 3.01m tonnes in 1988-89. And only a modest recovery, to 3.07m tonnes, is projected for 1989-90.

India is the biggest jute producer, with a normal crop of 1.2m tonnes, followed by Bangladesh, 800,000 tonnes, China, 500,000 tonnes, Thailand, 170,000 tonnes, and Nepal 5,000 tonnes.

Australia sells wheat to Egypt

By Tony Walker in Cairo

AUSTRALIA has agreed to sell Egypt 1.5m tonnes of wheat in 1990 at close to the world market price of around US$140 a tonne. The agreement was signed at the weekend in Cairo by Mr Clinton Condon, Chairman of the Wheat Board, and Egypt's Minister of Supply, Dr Galal Abu Dahab.

Australia is Egypt's main wheat supplier. Negotiations have been complicated in recent years by Egypt's large debt to the Wheat Board of some $600m. The Australian Government, s guarantor of the debt, has pressed the Board to limit its exposure.

The latest wheat agreement obliges Egypt to make regular cash payments for the wbeat to ensure a continuation of supplies. The Board has made it clear that it cannot continue to finance exports on previons generous credit terms.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices closed at the lowest level for nearly four months on the LME yesterday, reflecting weakness in New York and a rise of 12,000 tonnes in LME warehouse stocks last week. LME stocks, at 114,650 tonnes, are now around a six-month high after rising by nearly 31,000 tonnes in the past three weeks. Most bullish factors have disappeared, and the closure of the Bougainville mine in Papua New Guinea is now built into the price, say traders. The market now seems likely to return to the £1,450 levels for three-month metal reached in early July, when stocks were at a similar level. Lead prices also fell sharply – sell stops were triggered in the morning as the market fell below the £430 a tonne support level. In contrast gold closed $5 an ounce up at $396¼, and appears set to test $400 soon.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or −
Dubai	$16.05-6.12z	+0.11
Brent Blend	$18.58-8.62z	+.075
W.T.I. (1 pm est)	$19.89-9.94z	+0.24
Oil products (NWE prompt delivery per tonne CIF)		+ or −
Premium Gasoline	$186-188	+1
Gas Oil	$189-190	+2
Heavy Fuel Oil	$103-105	
Naphtha	$159-161	+1
Petroleum Argus Estimates		
Other		+ or −
Gold (per troy oz)♦	$396.25	+5.00
Silver (per troy oz)♦	573c	+14
Platinum (per troy oz)	$531.50	+5.75
Palladium (per troy oz)	$142.75	+2.55
Aluminium (free market)	$1700	−20
Copper (US Producer)	116¾-25¾c	+¼
Lead (US Producer)	39c	
Nickel (free market)	480c	+20
Tin (Kuala Lumpur market)	18.33r	−0.03
Tin (New York)	320.5c	+2.00
Zinc (US Prime Western)	75½c	
Cattle (live weight)†	114.78p	−0.31*
Sheep (dead weight)†	202.70p	−10.9*
Pigs (live weight)†	84.48p	−0.26*
London daily sugar (raw)	$361.4x	+8.8
London daily sugar (white)	$408x	+9
Tate and Lyle export price	£362.5	+8.5
Barley (English feed)	£114.0	+0.5
Maize (US No 3 yellow)	£127.5	+0.5
Wheat (US Dark Northern)	£127.75	
Rubber (spot)♥	58.00p	+0.25
Rubber (Dec)♥	59.75p	
Rubber (Jan)♥	60.75p	
Rubber (KL RSS No 1 Dec)	227.5m	+1.0
Coconut oil (Philippines)§	$465v	−10
Palm Oil (Malaysian)§	$305	+5
Copra (Philippines)§	$300	
Soyabeans (US)	$176	+2
Cotton "A" Index	82.25c	
Woollops (64s Super)	585p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Mar. v-Nov/Dec. w-Dec. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♦ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	694	685	697	690
Mar	674	674	680	672
May	685	687	691	684
Jul	695	701	704	695
Sep	714	715	718	712
Dec	735	737	740	734
Mar	757	757	760	755

Turnover: 5726 (6346) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Nov 17 789.34 (793.14):10 day average for Nov 20 810.77 (812.41)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Nov	695	682	698	687
Jan	683	685	688	680
Mar	691	692	696	688
May	711	713	715	703
Jul	731	734	734	730
Sep	751	750	754	750
Nov	770	770	767	

Turnover: 3300 (5018) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Nov 17: Comp. daily 81.11 (82.00). 15 day average 82.44 (82.42)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	334.40	339.00	341.40	333.60
May	330.20	334.60	336.60	329.60
Aug	325.00	330.00	331.00	323.60
Oct	315.40	318.60	321.00	314.80
Dec	313.00	309.00	315.00	315.00
Mar	301.00	303.00	302.00	298.00
White	**Close**	**Previous**	**High/Low**	
Mar	399.00	403.00	405.00	398.00
May	403.00	407.50	409.00	403.00
Aug	411.50	416.00	416.00	411.00
Oct	385.00	391.00	392.60	388.50

Turnover: Raw 6372 (3192) lots of 50 tonnes. White 764 (1731).

Paris- White (FFr per tonne): Mar 2515, May 2555, Aug 2625, Oct 2465, Dec 2385, Mar 2375.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Jan	18.63	18.55	18.66	18.54
Feb	18.45	18.36	18.46	18.38
Apr	18.02		18.02	
IPE Index	18.56	18.44		

Turnover: 5152 (6672)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Dec	183.50	182.25	183.75	182.25
Jan	178.00	177.00	178.50	176.75
Feb	172.75	172.25	173.50	172.25
Mar	167.75	168.75	168.25	167.00
Apr	162.50	100.25	163.00	162.00
May	159.25		159.25	
Jul	158.25	158.00	158.25	

Turnover 6777 (7990) lots of 100 tonnes

TEA

A total of 20,939 packages was catalogued including 2,200 offshore, reports the Tea Brokers' Association. North Indian teas met good demand and the best Assams remained fully firm. Medium descriptions were often 2p to 4p lower with quality and there were some withdrawals among the plainer sorts. Bangladesh teas attracted much less interest. Africans sold readily with brightest teas at a premium but plainer mediums were irregular. Ceylon plainer varieties were barely steady. Offshore teas met fair demand at easier rates. Quotations: quality 185 nominal (185), medium 150 (152), low medium 130 (135).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,225 tonne
Cash	1690-3	1716-8	1695	1695-700		
3 months	1694-5	1708-10	1710/1691	1695-6	16955-6	32,305 lots
Copper, Grade A (£ per tonne)						Ring turnover 30,900 tonne
Cash	1581-3	1611-3	1610/1607	1608-9		
3 months	1598-7	1623-4	1627/1598	1619-21	1598-9	75,636 lots
Lead (£ per tonne)						Ring turnover 17,700 tonne
Cash	419-20	438.5-40.5	415	415-6		
3 months	419-20	438.5-7.5	435/410	415-7	422-3	11,461 lots
Nickel ($ per tonne)						Ring turnover 1,494 tonne
Cash	9900-25	10150-200	9925/9875	9850-900		
3 months	9600-25	9725-50	9650/9550	9575-600	9575-600	7,074 lots
Tin ($ per tonne)						Ring turnover 705 tonne
Cash	6920-40	6900-20		6950-7000		
3 months	7040-50	7030-5	7150/7015	7100-50	7000-15	5,235 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,325 tonne
Cash	1420-30	1448-50	1425/1400	1404-8		
3 months	1397-400	1425-6	1407/1385	1392-5	1398-400	15,888 lots
Zinc ($ per tonne)						Ring turnover 5,150 tonne
Cash	1405-15	1435-45	1410	1393-6		
3 months	1365-75	1395-405	1375/1369	1369-70	1370-80	2,635 lots

LME Closing £/$ rate: SPOT: 1.5600 3 months: 1.5350 6 months: 1.5126 9 months: 1.4921

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Feb	155.0	152.0		
Apr	202.0	201.0	202.5	200.5
May	229.9		229.0	226.9

Turnover 56 (210) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low	
Feb	148.00	147.00	148.00	
Apr	146.00		146.00	144.90

Turnover 55 (46) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Nov	1665		1660	
Dec	1671	1670	1671	1670
Jan	1677	1681	1679	1675
Apr	1680	1683	1682	1680
Jul	1420	1407	1420	
BFI	1658	1652		

Turnover 82 (75)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Nov	108.80	108.80	109.50	109.30
Jan	112.35	112.15	112.35	112.25
Mar	116.35	116.10	116.35	116.25
May	119.58	119.35	119.60	119.50
Jun	121.00	120.85	121.00	120.90
Sep	104.35	104.35		
Nov	107.35	107.35		

Barley	Close	Previous	High/Low	
Nov	107.65	107.65	107.75	107.65
Jan	111.10	111.00	111.10	111.00
Mar	113.85	113.85	113.95	113.85
May	115.50	115.30	115.50	115.30

Turnover: Wheat 297 (116), Barley 124 (84). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	123.5	123.0	
Feb	113.0	113.0	113.0
Apr	113.5	113.0	113.0

Turnover 5 (62) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	396-396½	253¾-254¼
Opening	396¾-397¼	253½-254
Morning fix	396.05	254.268
Afternoon fix	394.60	253.365
Day's high	396¾-397¼	
Day's low	394½-395	
Coins	**$ price**	**£ equivalent**
Mapleleaf	405-410	259-262
Britannia	405-410	259-262
US Eagle	405-410	259-262
Angel	405-410	259-262
Krugerrand	395-398	253-255
New Sov.	91-93	58¼-59¼
Old Sov.	91-93	58¼-59¼
Noble Plat	527.75-538.10	338.15-344.55
Silver fix	**p/fine oz**	**US cts equiv**
Spot	365.00	569.00
3 months	378.70	580.90
6 months	391.95	592.25
12 months	418.55	616.15

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1600	123	120	18	39
1700	60	67	54	83
1800	24	33	118	147
Copper (Grade A)	**Calls**		**Puts**	
2350	154	163	37	93
2450	94	115	75	142
2550	70	77	131	202
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
650	42	65	0	29
700	14	39	31	60
750	3	10	70	80
Cocoa	**Mar**	**May**	**Mar**	**May**
600	67		13	
650	54	68	30	33
700	30	43	58	58
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1800	73	32	17	40
1650	40	50	31	51
1900	20	32	58	

US MARKETS

IN THE METALS, gold rallied after brisk trading to continue its upward trend, reports Drexel Burnham Lambert. Technical buying along with a weaker US dollar fueled the rally. Platinum and silver were also higher due to spillover buying. Copper fell again as the higher LME stocks weighed on the futures. The December contract lost 270 to settle at 10610.In the softs, sugar was down from commission house activity. March sugar fell 29 closing at 1507. Cocoa and coffee gained after slow sessions. The livestocks had lower belly prices due to technical activity. Hogs slipped on some spillover selling. Cattle trading was local participation. The grains featured heavy declines in the soy complex as the November expiration prompted liquidation. Corn and wheat were mixed. The energy complex had sideways action to begin the week. The expiration of the December contact was uneventful.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	398.2	394.6	395.5	395.0
Dec	399.3	395.8	400.0	395.6
Jan	402.1	398.5	0	0
Feb	404.6	401.0	405.5	400.9
Apr	409.5	406.0	410.5	400.0
Jun	414.5	410.9	415.0	410.8
Aug	419.0	415.4	417.5	416.3
Oct	423.6	420.0	421.5	421.5
Dec	428.4	424.7	430.0	424.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	531.0	526.6	531.4	526.2
Apr	536.0	531.4	536.5	531.5
Jul	542.0	537.1	543.0	539.0
Oct	548.0	543.4	546.0	545.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	566.8	557.2	569.5	568.5
Dec	570.3	566.5	579.0	565.5
Jan	573.4	571.4	0	0
Mar	583.4	581.4	586.5	579.0
May	591.8	589.8	597.5	587.5
Jul	600.3	597.9	606.0	597.0
Sep	609.0	606.4	614.5	606.0
Dec	621.1	618.2	625.0	617.0
Jan	624.7	621.8	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 17	Nov 16	mnth ago	yr ago
1851.9	1862.6	1858.5	1839.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	130.46	130.60	131 34	132.49
Futures	131.81	131.49	129.62	136.31

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	109.00	111.65	0	0
Dec	109.50	112.30	110.40	109.20
Jan	107.40	110.00	110.00	107.60
Feb	106.00	109.00	109.25	107.50
Mar	104.60	106.50	108.20	104.40
Apr	104.30	108.50	0	0
May	104.00	105.00	105.60	104.00
Jun	103.75	105.00	105.25	106.20
Jul	103.50	103.60	105.20	103.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	19.97	19.83	20.00	18.75
Feb	19.82	19.67	19.84	19.59
Mar	19.66	18.49	19.66	19.43
May	19.37	19.21	19.37	19.20
Jun	19.15	19.07	19.18	19.06
Jul	19.05	18.94	10.05	18.90
Sep	18.82	18.71	18.83	18.00
Oct	18.65	18.65	18.65	18.65

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	6025	5927	6040	5900
Jan	6000	5910	6005	5865
Feb	5380	5603	5685	5790
May	5230	5190	5245	5160
Jun	5136	5075	5135	5120
Aug	5100	5085	5100	5100
Sep	5280	5175	5280	5280

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	938	923	938	916
Mar	944	951	952	942
May	954	964	963	953
Jul	970	983	980	970
Sep	986	996	995	986
Dec	1007	1015	1013	1000
Mar	1030	1035	1030	1030

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.70	71.78	73.70	72.25
Mar	76.15	75.75	76.95	75.75
May	78.58	77.90	78.90	78.00
Jul	80.63	80.07	80.90	80.00
Sep	82.75	82.15	82.60	82.20
Dec	85.18	88.08	86.50	85.00
Mar	88.00	87.90	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	14.73	14.80	0	0
Mar	15.07	15.36	15.35	15.05
May	14.84	15.07	15.08	14.82
Jul	14.59	14.82	14.83	14.56
Oct	14.20	14.34	14.38	14.20
Mar	13.55	13.60	13.74	13.54

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	70.58	72.31	72.05	70.55
Mar	73.20	74.59	74.40	76.10
May	74.03	75.52	75.25	74.00
Jul	74.08	75.42	75.05	74.00
Oct	68.90	69.65	69.50	68.70
Dec	65.90	66.80	66.70	65.90
Mar	66.90	67.15	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	126.85	125.75	126.90	126.00
Mar	125.45	125.00	125.60	125.00
May	124.85	125.00	125.40	124.85
Jul	124.50	124.10	125.50	124.50
Sep	124.50	124.50	125.00	125.00
Nov	124.50	124.00	125.00	124.75
Mar	124.50	124.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	584/4	694/6	594/4	594/0
Mar	597/0	607/6	607/4	597/0
May	609/4	619/4	518/4	609/0
Jul	517/4	628/2	627/4	617/0
Aug	610/4	629/0	627/4	618/0
Sep	608/0	810/4	613/0	608/0
Nov	575/2	583/6	583/4	575/0
Jan	616/0	625/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	18.44	19.74	18.67	18.43
Jan	19.67	10.98	19.87	19.67
Mar	20.11	20.36	20.30	20.08
May	20.48	20.74	20.70	20.44
Jul	20.75	21.01	20.00	20.75
Aug	20.80	21.02	20.87	20.80
Sep	20.80	21.02	20.93	20.80
Oct	20.85	21.07	20.80	20.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	185.9	188.4	188.4	185.5
Jan	185.0	187.1	186.8	184.6
Mar	184.3	186.4	186.2	183.0
May	183.2	185.4	185.1	182.6
Jul	182.9	184.9	185.0	182.2
Aug	182.2	184.5	184.3	182.0
Sep	182.4	184.5	184.6	182.0
Oct	182.0	183.7	184.0	182.0
Dec	182.0	184.2	184.0	181.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	237/2	240/0	239/6	237/0
Mar	242/2	243/8	243/6	242/0
May	246/2	247/6	247/6	246/0
Jul	250/0	251/0	251/0	249/6
Sep	244/2	245/2	245/2	244/0
Dec	241/6	242/2	242/4	241/4
Mar	249/0	249/0	249/4	249/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	410/6	410/0	411/0	408/4
Mar	413/6	412/2	414/0	411/2
May	394/6	392/2	395/0	391/4
Jul	364/2	362/2	364/4	361/4
Sep	369/0	366/6	369/0	367/0
Dec	379/4	378/0	380/0	378/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	75.22	74.87	75.25	74.85
Feb	74.35	74.30	74.55	73.95
Apr	73.85	74.05	74.00	73.65
Jun	71.17	71.27	71.32	70.90
Aug	69.40	69.50	69.72	69.30
Oct	68.92	68.90	69.00	68.65

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	49.47	49.97	49.75	49.15
Feb	50.15	50.42	50.30	49.70
Apr	45.70	46.15	45.97	45.32
Jun	49.47	49.97	49.90	49.10
Jul	49.72	50.17	50.35	49.50
Aug	49.72	49.00	48.55	48.37
Oct	44.05	44.35	44.58	44.00
Dec	45.35	45.80	46.00	45.35

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	62.80	64.17	64.45	62.45
Mar	62.37	63.35	63.55	61.90
May	61.75	62.70	62.90	61 50
Jul	59.30	60.80	60.55	58.92
Aug	57.30	58.80	57.95	57.30

LONDON STOCK EXCHANGE

Equities sharply lower in thin trading

The setback in the pound, which itself signalled wider concerns over the outlook for the economy and for domestic inflation, hit the UK stock market hard yesterday. Continental funds were selling UK blue chip stocks and the Footsie Index quickly fell through the 2,200 level to close more than 38 points down.

The investment mood turned distinctly bearish over the weekend as the press, taking their cue from the financial analysts at City securities firms, raised the storm cones ahead of what could prove a difficult week for the stock market. The trend was set by falls in defence stocks as the market assessed the implications of the upheavals in Eastern Europe.

This afternoon brings the pricing for the privatisation of Britain's water supply companies which is intended to raise about £5.3bn from the equity sector. The water issue pricing will fall on an market now increasingly nervous ahead of the announcement on Thursday of the UK trade figures for October. Some UK analysts were yesterday raising their estimates for the monthly current account deficit above the £1.6bn figure previously in vogue.

Share prices opened quietly yesterday but turnsd off quickly as at least two leading UK broking firms began to sell tha Footsie futures. Weakness in the Futures market remained an adverse factor, the Footsie December contract closing at a 15 point discount to the Index.

By mid-morning the FT-SE Index had fallen through the 2,200 mark and the rout continued as sterling weakened and the market digested the latest UK money supply data which was regarded as further confirmation of a slowing economy.

While the stock market was not heavily traded overall, sentiment was npset by the appearance of sellers from other European centres. An underlying worry has been the danger that weakness in sterling might trigger foreign selling of UK investments.

The market took a further knock in the second half of the session when Wall Street, confounding bopes that General Electric's share buyback plans would boost US stocks, turned sharply down. At the close, the FT-SE Index was 38.3 down at 2,183.1. Seaq trading volume at 364.9m shares was still thin, even by recent standards; Friday's 507.8m share total was inflated by a stock placing.

The brighter aspect of yesterday's market was the ready response to a clutch of bid situations in domestic stocks. BAT Industries, however, gave ground as the illness of the chairman of Axa-Midi Assurances delayed the hearings by the Illinois insurance commissioners of the application by Axa and the Hoylake consortium to take over Farmers Group, the BAT insurance subsidiary.

Account Dealing Dates

*First Dealings:		
Nov 13	Nov 27	Dec 11
Option Declarations:		
Nov 23	Dec 7	Dec 21
Last Dealings:		
Nov 24	Dec 8	Dec 22
Account Day:		
Dec 4	Dec 18	Jan 8

*New time dealings may take place from 8.40 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Nov 20	Nov 17	Nov 16	Nov 15	Nov 14	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	83.50	83.71	84.12	84.29	84.33	88.33	88.29 (8/2)	83.50 (20/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.29	93.33	93.54	93.58	93.57	96.87	99.59 (15/3)	93.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1734.1	1769.3	1759.2	1759.4	1770.8	1480.1	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	274.1	265.6	264.8	273.2	271.1	172.0	274.1 (20/11)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2183.1	2221.4	2209.8	2203.4	2214.7	1811.1	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)

	Nov 20	Nov 17	Nov 16	Nov 15	Nov 14	Year Ago
Ord. Div. Yield	4.82	4.73	4.75	4.73	4.70	4.80
Earning Yld %(full)	11.54	11.33	11.38	11.34	11.28	12.01
P/E Ratio(Net)(☆)	10.46	10.66	10.61	10.65	10.71	10.07
SEAQ Bargains(5pm)	24,493	22,417	21,962	21,048	21,750	23,251
Equity Turnover(£m)†	-	648.31	1129.73	571.91	635.41	1213.52
Equity Bargains†	-	22,276	20,716	21,338	21,950	25,760
Shares Traded (ml)†	-	304.0	384.2	275.8	293.8	448.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.37

Ordinary Share Index, Hourly changes

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1766.6	1755.7	1748.2	1746.5	1747.7	1749.3	1747.3	1742.9

Day's High Day's Low

FT-SE, Hourly changes

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2220.3	2207.3	2199.8	2196.3	2198.3	2200.2	2197.6	2191.2

Day's High Day's Low

GILT EDGED ACTIVITY

Indices*	Nov 17	Nov 16
Gilt Edged Bargains	81.0	82.2
5—Day average	83.2	83.2

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,700	130	-6	Courtaulds	447	346	-6	LASMO	114	515	-7	Saatchi & Saatchi	635	305	-10
Abbey National	5,400	154½	-2	Dalgety	673	373	-2	Lonrho	2,700	259	+1	Sainsbury	2,400	251	-4
Allied-Lyons	1,300	464	-8	Dixons	631	183	-4	Lucas	99	572	-8	Scott & Newcastle	692	346	-9½
Amstrad	1,600	46	-1	Eng. China Clays	224	379	-10	MB Group	1,500	182	-7	Sears	2,300	103	-3
Argyll Group	3,900	197	-11	Enterprise Oil	214	620	-3	MEPC	505	489	-10	Sedgwick	634	279	-4
Ass. Brit. Foods	295	396	-1	Fisons	964	326	-5	Marks & Spencer	1,500	188	-5	Shell Transport	1,600	429½	-1½
[illegible]				[illegible]				[illegible]				[illegible]			
Brit. & Comm.	1,500	109	-5	Hammerson 'A'	97	[illegible]	-3	Prudential	1,400	191	-7½	Tarmac	1,000	237	-6
Brit. Aerospace	1,300	514	-24	Hanson	6,600	217	-4½	RHM	1,300	423	-4	Tate & Lyle	1,200	237	-6
British Airways	4,700	201½		Harrisons & Cros.	357	146	-2	RMC	35	653	-1	Taylor Woodrow	904	262	-3
British Gas	3,800	200	-3½	Hawker Siddeley	623	616	-19	RTZ	786	528	-8	Tesco	5,100	180	-7
British Land	681	303	-4	Hillsdown Hldgs	349	258	-6	Racal	5,100	236		THORN EMI	548	727	-22
BP	3,600	298	-1	IMI	143	287	-2	Rank Org.	204	848	-22	Trafalgar House	604	331	-14
British Steel	6,600	128½	-1½	ICI	1,500	1079	-12	Reckitt & Colman	108	1179	-9	Trusthouse Forte	1,400	279	-7
British Telecom	3,500	265	-4½	Inchcape	289	237	-3	Redland	356	518	-7	Ultramar	2,200	329	-3
Burmah Oil	139	658	-4	Jaguar	1,400	830½	-½	Reed International	400	397	-8	Unilever	926	656	
Burton	2,500	175	-6	Kingfisher	1,100	288	-9	Reuters	671	902	-3	United Biscuits	746	352	-8
Cable & Wireless	2,500	487	-14	Ladbroke	1,600	297	-10	Rolls Royce	3,800	162	-5	Utd. Newspapers	304	463	-5
Cadbury Schweppes	3,900	338	-6	Land Securities	1,100	583	-9	Rothmans	278	637	+1	Wellcome	599	701	-14
Carlton Comms.	526	820	-25	Laporte	269	458		Royal Bk of Scotland	2,500	182	-5	Whitbread 'A'	2,100	367	-4
Commercial Union	1,200	440	-7	Legal & General	710	370	-8	Royal Insurance	2,300	470	-9	Williams Hldgs.	533	222	-7
Cookson	666	254	-7	Lloyds Bank	1,200	418	-10	STC	496	267	-7	Wimpey	567	230	-4

Defence stocks hit

Worries about the impact on leading defence electronics groups of possible cuts in Nato defence budgets carved some big losses throughout share prices of companies such as GEC and Ferranti. The latter's share price was bruised by comment in the weekend Press suggesting that possible bidders for the troubled group would be looking to talk the bid price down, given the most recent stories emanating from the company.

Ferranti reported last weekend that it had revised downwards its full-year results to £13.1m. Market specialists said yesterday that the latest fall in the Ferranti share price was as much a belated realisation of the problems at the electronics group as the weekend speculation of the possibility of cuts in Nato defence budgets.

Ferranti's shares were hit, closing a net 6 down at 47¼p with a substantial 22m shares traded. British Aerospace, in partnership with Thomson-CSF, are said to be favourites to launch a bid for Ferranti. Aerospace built up a near-2 per cent stake in Ferranti last month when the latter's shares returned from suspension.

As one analyst put it: "the US defence cuts take the backbone out of defence electronics, and the outlook for the sector has got to be less attractive now than it was just a couple of months ago." GEC, a poor performer last week, fell a further 8¼ to 211p on turnover of 5m.

USH tumble

The big fall in United Scientific, the arms manufacturer, as Meggitt, the specialist engineering group, pulled its bid for USH despite having received provisional acceptances in regard of 79.1 per cent of the equity confirmed market doubts about the deal.

Meggitt had made a cash and paper offer of some £115m, which valued each USH ordinary share at around 151p, but by Friday's close USH shares had fallen to 114p. The shares fell a further 34 yesterday to 80p.

Mr Clive Forestier-Walker at Kitcat & Aitken said: "Having entered this questionable bid situation where the problems were compounded by USH revealing yet more loss provisions, Meggitt has made a wise move to back off and should be given some credit for this action."

Another analyst however said: "Meggitt have simply used the excuse of a material change in circumstances to pull out of the deal as it would have increased their exposure in the defence field." Meggitt shares eased a penny to 89p.

BAA active

BAA was the strongest performer of the three FT-SE 100 stocks that rose yesterday, ahead of interim figures due this morning. The range of forecasts is £185-£190m. BAA firmed 4 to 352p in moderate turnover; "no one wants to go short ahead of the figures," explained one marketmaker.

The company has also attracted attention in recent days as Bermuda-based conglomerate ADT added to a stake, now standing at more than 5¼ per cent. The Government holds a "golden share" in BAA designed to forestall unwanted takeover attempts. But since the Government waived its golden share in Jaguar at the end of last month, BAA has been seen as more likely a takeover target than most privatisation stocks.

The big-four banks suffered double-figure losses but dealers said falls were broadly in line with the market. NatWest were the biggest traded shares, with 4.5m changing hands as the price slipped 11 to 326p. Barclays, on 2.5m, lost 4 to 513p, Lloyds, on 1.2m, 10 to 418p and Midland, on 2.2m, 14 to 330p.

TSB were persistently offered, closing 3½ easier at 111p with the market expecting news of a four-figure cut in the bank's staff numbers within days.

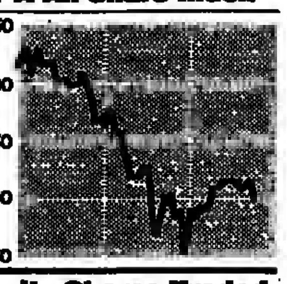
British & Commonwealth lost 5 to 109p after the group announced it was seeking a buyer for its 36.4 per cent stake in Celltech.

Shares in Morgan Grenfell, the merchant bank, retreated 19 to 460p in the absence of any news regarding a possible counter to Banque Indosuez who recently bought around half of Willis Faber's 20.4 per cent stake in Morgan to add to a previously acquired stake of 4.4 per cent. Specialists said there were stories in the market suggesting Morgan was holding talks with other potential bidders, most notably Deutsche Bank, which has a 4.9 per cent stake in the merchant bank.

SG Warburg eased 3 to 435p in front of today's interim figures which are expected to show pre-tax profits of over £85m, compared with last time's £47.8m.

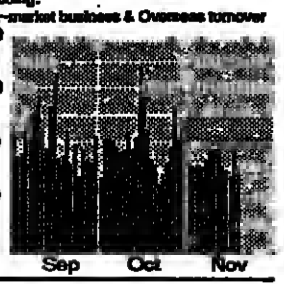
Insurance stocks fell across the board. Prudential dropped 7½ to 191p in thin trading of only 1.4m after publicity given to the resignation of the group's estate agency head.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Insurance broker Sedgwick dipped 4 to 279p in front of third quarter results which Hoare Govett forecasts will come out at 275m against a comparable 270.8m.

The US parent company of AMI Healthcare confirmed many months of speculation by saying that it wanted to dispose of its 65 per cent holding in the company. AMI Healthcare jumped 17 to 391p.

Rothman's was one of only three FTSE-100 stocks to show a gain on the day, firming a penny to 637p. The company reveals interim figures on Thursday and is likely to show benefit from having 80 per cent of its earnings overseas," said an analyst. Also a penny better at 259p were Lonrho, helped by a continually firming gold price.

Oil and gas stocks were broadly lower, ahead of Saturday's meeting of OPEC oil ministers, although traders said there was little in the way of selling pressure. British Gas, a strong performer last week after the promise of an improvement in dividend payout policy, attracted small profit-taking and closed 3½ easier at 200p on thin turnover of 3.8m. The company is giving a presentation on its exploration and production interests to analysts tomorrow.

Ultramar closed 3 cheaper at 329p on 2.2m despite some persistent bnying interest triggered by news of a fire at rival Chevron's El Segundo refinery in California.

Hestair, the personnel services and consumer products gronp, rose sharply on the announcement of a £167m bid from Adia, the Swiss personnel company.

News of the bid was preceded by a dawn raid in which Kleinwort Benson was said to have picked up some 2m shares and now speaks for 6.4 per cent. Hestair closed at 296p, a gain of 67.

Analysts felt Adia would have to increase its cash offer of 282p if it is to take out Hestair. Mr Robert Morton at BZW said: "I consider it a well timed bid in terms of the change in strategic direction at Hestair, and in view of a likely downturn in earnings at Hestair this year." Agreeing that Adia might have to increase its offer, he added, "the amount of any increase will depend on whether a third party comes in or not."

Argyll fell more steeply than the wider market in the wake of brokers' downgradings last week, press comment on Sunday and ahead of interim figures on November 28.

A week of presentations by Unilever to US investors revealed itself in strong demand for the NV stock, which Wall Street traditionally buys, and in turn held the plc firm against the wider decline. The company's recent acquisitions of Fabergé and Calvin Klein cosmetics business has made it easier to draw parallels between the company and US alternatives, such as Procter and Gamble and Colgate-Palmolive, both trading on significantly higher p/e ratios, said analysts. Unilever closed unchanged at 656p.

A gentle slide of 6 to 423p in Ranks Hovis McDougall disguised firm volume of 1.8m shares traded and some large blocks moving through inter-dealer broker screens.

The excitement over the bid for Hestair spilled over into Blue Arrow. US buyers came in on the back of weakening sterling and pushed the price ahead to 102p. "That meant a classic selling opportunity," said one analyst, and the price duly slipped back to close a net 5 better on the day at 101p. Volume was a strong 3m shares. Another factor behind the late profit taking was that Adia, the Swiss employment agency which is bidding for Hestair, had been mentioned in the past as a potential bidder for Blue Arrow.

A 19 per cent rise in profits at the interim from magazine and newspaper publisher EMAP had been discounted. The shares eased 3 with the market to 212p. A profits downgrading for Bowater from £92m to £87m for the current year from one of the larger securities houses left the shares 13 cheaper at 408p.

UK Paper had another strong day as dealers continued to speak of possible planning permission for a tranche of land near a planned deep-water port in the Thames estuary. Analysts spoke of a £100m price tag for UK Paper's property holdings if permission was granted, compared with the balance sheet figure of £40m. The shares climbed 10 to 296p and analysts said that Friday's turnover of just under 1m shares was likely to be repeated. There are 80m shares in issue.

USM-quoted public relations consultancy Broad Street followed up interim results by revealing that it had been approached by a third party but that it was "too early to determine whether these discussion will lead to an offer for the company." Broad Street shares added 5½ at 42½p.

Talk of a bid, possibly from Olympia & York, for Rosehaugh saw the shares move up sharply to close a net 13 higher at 478p.

The engineering sector was weakened by a series of profits downgradings among some of the big stocks from UBS Phillips & Drew because of strikes by trade unions in support of a claim for a 35 hour week.

Among companies which UBS now thinks will produce lower profits are British Aerospace, expected to make £285m for the full year instead of £320m, Roll-Royce, which is now expected to make £210m down from the £242m earlier forecast, and Smith Industries, which is forecast to make £120m instead of £124m.

BAe shares fell 24 to end at 514p on the news, Rolls-Royce shed 3 to 164p and Smith Industries eased 5 to 265p. Mr Paul Compton of UBS said it is now accepted that the action of the engineering unions "will impact on 1989 profits."

Vickers also eased back 4 to 197p on the prospects for defence manufacturers as it was announced that IEP Securities, controlled by Sir Ron Brierley, the New Zealand businessman had increased his stake in the company to 15.5 per cent with the purchase of 1m shares. Though only 7 per cent of Hawker Siddeley profits come from the defence sector, shares fell 14 to 621p on fears of defence cuts.

The reason behind Friday's late spnrt in shares of Higgs & Hill, the construction group, became clear when fellow construction group YJ Lovell moved in with a takeover bid worth around 409p a share. Higgs & Hill shares, 16 better Friday, advanced 107 to 412p, while Lovell fell 10¼ to 232p.

News that McCaw Cellular Communications had raised its offer for LIN Broadcasting, the US cellular radio group, triggered a flurry of buying of Racal Telecom shares which moved up 12 to 380p. "Racal Telecom shares have again been re-rated on the basis of events in America, rightly or wrongly," said one UK analyst. British Telecom, which has a 22 per cent stake in McCaw, came under pressure, closing a net 4 down at 265p on 3.5m. But one analyst took the view that the selling had been overdone.

Cable & Wireless fell 14 to 487p on turnover of 2.5m ahead of tomorrow's interim figures. Mr Patrick Wellington at County NatWest WoodMac said the recent Hong Kong Telecom figures "should help to provide satisfactory interims but the figures should contain the kernals of disappointment at Mercury and on the debt which will restrain full year progress." County forecasts a 16 per cent pre-tax profits rise to £230m with a 15 per cent rise in the interim dividend to 3.2p. Hoare Govett is going for profits of £235m and BZW £234m.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 32

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (43). AMERICANS (2) CANADIANS (5) BANKS (4) BUILDINGS (1) ELECTRICALS (2) INDUSTRIALS (3) [illegible] OVERSEAS TRADERS (2) MINES (13). NEW LOWS (79). BRITISH FUNDS (33) BREWERS (1) BUILDINGS (1) ELECTRICALS (5) ENGINEERING (4) FOODS (2) INDUSTRIALS [illegible] PAPERS (2) PROPERTY (5) TRANSPORT (2) TRUSTS (2) OILS (2)

APPOINTMENTS

Senior post at Sun Life

■ SUN LIFE ASSURANCE SOCIETY has appointed Mr Richard Surface as general manager for corporate development. He was with American Express.

■ Mr J.F. Hewins, managing director, Davy McKee (Sheffield), has been appointed chairman of THE BRITISH METALLURGICAL PLANT CONSTRUCTORS' ASSOCIATION.

■ Mr Marcus Thompson, a lecturer at the Scottish Enterprise Foundation at Stirling University, takes over as director of the Scottish region of the CONFEDERATION OF BRITISH INDUSTRY in January.

Mr Paul Stokes (above) has been appointed managing director of BRITANNIA ROOFING SERVICES, part of SDC construction group, Bedford.

■ MODERN ENGINEERING (BRISTOL), an Amco Corporation subsidiary, has appointed Mr L.H. Duggleby and Mr D.G. Beacham as joint managing directors. They were works and technical directors respectively.

■ HONORBILT GROUP has appointed Mr Gordon Diaz as group managing director. He was a non-executive director.

■ Mr Philip Kitchingman and Mr Noel Pierce have been appointed joint managing directors of the Richmond Design Group, part of ACSIS GROUP.

■ Mr Alan Proctor has joined the London branch of the HOKKAIDO TAKUSHOKU BANK as manager - corporate finance.

■ DANIELS HOLT INVESTMENT MANAGERS, Guildford, has appointed Mr David Morrison and Ms Kate Nathoo as partners.

■ UNISYS Europe-Africa division, Uxbridge, has promoted Mr J.J.J. van Vuuren to vice president and group general manager. He is succeeded as vice president - marketing operations by Mr Ian J. Shiers, who is vice president and group general manager for Australia and New Zealand. Both appointments are from January.

GKN has appointed Mr Howard Davies (above) as a non-executive director from January 1. He is controller of the Audit Commission for Local Authorities in England and Wales, and succeeds Mr Philip Chappell who is retiring.

■ Mr J.G. Cleather has been appointed managing director of EALING ELECTRO-OPTICS, part of The 600 Group. He was general manager and a director of Vickers Instruments, York.

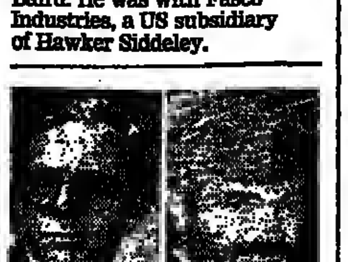
■ Mr Matthew Evans, chairman and managing director of Faber & Faber Publishing, has joined the board of RHYTHM RADIO as a non-executive director.

Sheerness Steel makes changes

■ From January 1 Mr Michael G. Smith, operations director, has been promoted to deputy managing director, and Mr Martin J. Shirley, director-finance, becomes director-finance and corporate development at SHEERNESS STEEL COMPANY.

■ Mr Nigel Whiteley has been appointed chairman of DISCOVERY GROUP, Dundee. He was area director Scotland for Lloyds Bank.

■ Mr Kenneth J. Wood has been appointed business development director of DARCHEM, Darlington, engineering division of William Baird. He was with Fasco Industries, a US subsidiary of Hawker Siddeley.



JOHNSON WAX, Camberley, has appointed Mr Bill Thomson (left) as director of consumer marketing from January 2. He is category manager, skin care division of the US company. Mr John Griffin (right) has been appointed director of sales, consumer division.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Unit Trusts Ltd						
British	6	58.84	59.36	63.15	-0.61	3.14
European Growth	6	64.62	64.72	68.85	-0.93	0.89
Gilt & Fixed	6	50.79	50.89	54.14	-0.35	8.83
Income	6	53.93	54.87	58.37	-0.47	4.65
Japan Growth	6	63.84	64.04	68.13	+1.12	0.00
Managed	6	57.33	58.22	61.94	+0.32	2.13
Money Market	6	55.16	55.16	58.46	+0.02	13.02
North American	6	60.58	61.93	65.88	+0.98	0.43
Midland PSAVCS Unit Trust						
British	6	54.48	55.15	58.67	-0.50	3.14
European Growth	6	61.88	61.97	65.92	-0.88	0.89
Gilt & Fixed Int	6	49.26	49.39	52.58	-0.34	8.85
Income	6	53.76	54.71	58.20	-0.47	4.66
Japan Growth	6	64.68	65.28	69.45	+1.12	0.00
Managed	6	53.46	54.33	57.93	+0.30	2.14
Money Market	6	52.30	52.30	58.43	+0.02	13.01
North American	6	59.80	61.07	64.97	+0.94	0.43
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA. 01-588 3963						
PM Equity Gth	5	116.4	116.4	123.8	-0.3	2.79
PM Income & Gth	5	94.77	94.77	100.0	-0.1	4.32

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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FT UNIT TRUST INFORMATION SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Wellington Fund Mngs Ltd (1200)F						
2, London Bridge, SE1. 01-407 4404						
Wellington Income	5¼	195.0	196.4xd	149.1	+0.1	5.03
Wellington Growth	5¼	219.7	221.6xd	235.8	+2.4	1.35
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth.	4¼	105.7	104.2	113.7	-1.8	2.94
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ♦ F	2¼	60.99	60.99xd	62.53	+0.40	1.00
Short Dtd Gilt ♦ F	1¼	81.82	81.82	83.00	-0.81	7.17
U.S. Govmt Bond ♦ F	1¼	$.5766	.5766xd	.5942	[illegible]	0.00
Willis Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	189.1	193.0	205.3	.....	2.57
Windsor Trust Mngs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convrtl & Equity	5	55.38	58.83xd	62.58	-0.13	7.54
European	5	76.17	76.52	81.40	+1.55	0.10
Far Eastern	5	63.45	69.38	73.80	+0.63	1.14
Growth Inc	5	75.93	79.51	84.58	-0.50	1.60
Growth Acc	5	75.95	79.51	84.58	-0.56	1.60
Income Inc	5	74.38	76.77	81.67	-0.29	5.20
Income Acc	5	74.93	76.87	81.78	-0.29	5.16
Property Share	5	47.87	47.87	51.03	-0.15	1.09
Smaller Co's	5	48.46	48.46	51.63	-0.08	1.84
Nth American	5	65.28	65.28	69.81	+0.77	1.54
International	5	49.03	49.033	52.40	+1.30	1.40
Asset Value	5	154.79	156.79	167.68	-2.86	4.43
Wright Seligman Fund Mngs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	112.03	112.03	117.93	.....	0.98
UK Growth	5	92.66	92.66	97.54	.....	3.08
UK Income	5	95.05	95.05	101.00	.....	4.46
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	55.56	56.89	61.51	-0.8	2.91
YUTM UK Exp Inc Tst	5¼	55.21	57.11	60.76	-0.37	4.88
YUTM Intl Gwth Tst	5¼	55.98	55.98xd	59.73	+0.21	0.72

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Grs
Baillie Gifford & Co Ltd				
Int'l Expt November 15	554.2	574.8	.....	0.46
Cent. Bd. of Fin. of Church of England				

	Bid Price	Offer Price	+ or -	Yield Grs
Albany Life Assurance Co Ltd—Contd.				
European Fd Acc(z)	268.0	282.0	+0.1	—
Intl Fxd Int Fd Acc(z)	211.0	222.0	-0.3	—
Fixed-Int. Acc(z)	345.4	363.5	-1.3	—
Gtd Money Fd Acc(z)	243.1	255.8	+0.2	—
High Income Fd Acc(z)	115.4	121.5	-0.9	—
Intl Man Fd Acc(z)	427.6	450.0	+0.1	—
Japan Fd(z)	316.8	333.4	+2.8	—
UK Smlr Co's Fd Acc(z)	111.9	117.8	+0.2	—
Europlus Metro	119.6	125.8	+0.6	—
Global Metro	107.6	119.2	+1.1	—
Sunrise Metro	125.0	131.6	+1.1	—
UK Metro	108.5	114.1	-0.1	—
Nth American Fd Acc(z)	216.4	227.7	+3.7	—
Pac Basin Fd Acc(z)	165.9	174.6	+1.3	—
Prop Fd Acc(z)	351.9	370.3	+0.1	—
Millennium	96.8	101.9	-0.3	—
Multiple Inv Acc(z)	722.2	760.2	+0.1	—
Pension Funds				
Brit Blue Chip Acc(z)	154.7	162.7	-1.2	—
Eq Pen Fd Acc(z)	2005.6	2111.1	-13.6	—
Euro Fd Acc(z)	365.1	384.3	+6.8	—
Fixed Int. Acc.(z)	727.9	755.6	-2.5	—
Gt Money Pn Acc(z)	446.8	470.3	+0.5	—
High Interest	151.6	159.5	+0.1	—
High Income Fd Acc(z)	120.9	127.2	-1.5	—
Intl Man Fd(z)	658.0	692.6	+6.0	—
Jap Pen Fd Acc(z)	456.1	480.1	+5.6	—
UK Smlr Co's Fd Acc(z)	116.2	122.2	+0.2	—
Europlus Metro	132.3	139.2	+1.0	—
Global Metro	114.1	120.0	+1.7	—
Sunrise Metro	140.6	147.9	+1.7	—
UK Metro	115.3	121.3	-0.2	—
N Am Pn Fd Acc(z)	274.6	289.0	+6.7	—
Pac Basin Fd Acc(z)	200.9	211.5	+2.3	—
Property(z)	623.7	656.5	+0.1	—
Mtple Inc Pens Acc(z)	1472.4	1549.9	+0.6	—
Pruhtr Funds				
Prof. Pen. Fd	98.0	103.1	-0.2	—
YRA Strategy	127.0	133.6	+1.0	—
YRA Performance	109.5	115.2	+0.5	—
Laughton Dollar (SE)	142.1	147.5	+1.3	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	270.0	284.3	+0.2	—
Equity Acc	871.0	916.9	-1.9	—
Property Acc	519.4	546.8	+0.5	—
Far East Acc	223.2	235.0	+1.6	—
European Acc	24.8	26.2	+0.8	—
Managed Acc	687.7	723.9	-1.1	—
Managed Cap	387.8	407.9	-0.7	—

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd

37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	[illegible]	[illegible]		–
Building Soc. Fd	[illegible]	[illegible]		–
Balanced	[illegible]	[illegible]		–
European	[illegible]	[illegible]	+3.0	–
GT Managed	[illegible]	[illegible]	+1.0	–
Gartmore Mngd	[illegible]	[illegible]	+1.0	–
German	151.0	159.0	+2.0	–
Gilt	[illegible]	[illegible]	-1.0	–
Global	48.0	51.0	....	–
High Inc	106.0	112.0		–
International Equity	194.0	[illegible]	+2.0	–
Japan	[illegible]	[illegible]		–
Managed	56.0	[illegible]	....	–
Property	[illegible]	314.0		–
P. W. Imperial Gold	[illegible]	[illegible]		–
UK Equity	[illegible]	[illegible]	-1.0	–

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Index Linked Gilt.	203.3	214.0	-1.8	–
Guaranteed	13.75		-0.12	–
International Money.	211.5	222.7	....	–
North American.	81.9	86.3	+1.5	–
Japanese	163.4	172.1	+2.2	–
European.	106.2	111.8	+1.9	–
Special Situations	108.3	114.0	-0.7	–
Communications	102.5	107.9	+0.6	–
Smaller Companies.	101.8	109.3	-0.3	–
Internationl Small Cos.	142.3	149.8	+2.2	–

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Nov 8	£159.82	164.86	.....	–
Equity Nov 8	£169.64	175.84	.....	–
International Nov 8	£28.30	28.93	.....	–
Intl Bond Nov 8	£12.87	13.04	.....	–
Fixed Int. Nov 8	£74.12	74.94	.....	–
Index Linked Nov 8	£63.78	64.58	.....	–
Property Nov 8	£116.51	123.38	.....	–
Cash Nov 8	£22.096	22.096	.....	–
Pru-Linked Retirement Plan				
Managed Nov 9	387.0	403.2	.....	–
Cash Nov 9	207.2	215.9	.....	–
Prudential Pensions Investment Account				
Pens Mngd Nov 17	155.3	167.2	+0.5	–
Pens. UK Eq Nov 17.	295.2	307.6	+1.0	–
Pens Intl Nov 17	197.d	212.5	+0.6	–
Pens. Fixed Nov 17	169.9	179.4	-0.3	–
Pens Index Lk Nov 17	164.7	173.9	.....	–
Pens Cash Nov 17	135.2	142.5	.....	–

Roxborough Financial Management Ltd

123-125 Curtain Road, London EC2A 3BX 01-739 7117

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fd (MN)		107.6	+0.4	–
Precision Managed (MN)		100.4	+0.3	–
Discretionary Fd (MN)		145.2	+0.7	–
Discretionary Pens Fd (MN)		114.1	+0.7	–
Multi-Trust Fd (SKu)	95.7	100.7	+0.2	–
Fortress Pens Fd	119.0	125.3	+0.5	–
Divergence Mngd (SM)	169.5	178.5	....	–
Mutual Master (SM)	117.6	123.8	+0.1	–

Rutland Ins Bkg & Inv Grp ("RIBIG")

2 The Windmills, Turk St, Alton, GU34 1EF 0420 80266

Rothschild Asset Management—Contd.

	Init Charge	Cons. Price	Bid Price	Offer Price	+ or -	Yield Gr's
OCCFL E	[illegible]		10.085		[illegible]	14.54
OCCFL AS	[illegible]		15.161		[illegible]	17.56
OCCFL CS	[illegible]		20.14		[illegible]	11.3
OCCFL DFl	[illegible]		50.229		[illegible]	7.34
OCCFL DKr	[illegible]		151.03		[illegible]	[illegible]
OCCFL DM	[illegible]		40.176		....	[illegible]
OCCFL ECU	[illegible]		15.085		[illegible]	[illegible]
OCCFL BFr	[illegible]		503.9		+0.1	8.58
OCCFL FFr	[illegible]		100.48		[illegible]	5.87
OCCFL HK$	[illegible]		100.45		+0.04	8.72
OCCFL Lire	[illegible]		25.136		[illegible]	[illegible]
OCCFL NZ$	[illegible]		25.175		[illegible]	11.09
OCCFL S$	[illegible]		30.072		[illegible]	[illegible]

Ivory & Sime—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
[illegible]	1.011	1.072	[illegible]	–
European Portfolio	1.119	1.188	[illegible]	0.9
Japan Portfolio	[illegible]	2.601	[illegible]	1.0
Pacific Portfolio	2.347	2.333	[illegible]	3.0
Gold Portfolio	1.150	1.220	[illegible]	2.5
UK Growth of Income	1.013	1.073	[illegible]	8.5
Sterling Gilt Portfolio	1.933	2.049	[illegible]	5.2
Global Bond Portfolio	2.1[illegible]	2.265	[illegible]	8.6
Dollar Portfolio	1.098	1.009	[illegible]	4.0
Yen Portfolio	1.033	1.034		12.2
Sterling Portfolio				

Nomura Global Fund

UK dealing agent National Investment Group plc 01-283 9050

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
133	124	Treas 2pc IL '90(84.6)	133	.....	2.09	9.98
99	98	Exch 11pc 1990##	99		11.10	14.48
101	99	Exch. 12½pc 1990	99		12.39	14.53
96	91	Treas. 3pc 1990	96	.....	3.12	11.97
97	95	Treas 8¼pc 1987-90##	97½xd		8.49	13.78
98	95¼	Treas. 8pc Cv 1990 ##	96½	.....	8.29	13.77
98	96	Treas. 10pcCv 1990	96		10.32	13.68
93	87	Exch 2½pc 1990	92xd		2.69	10.22
101	98	Treas 11¾pc 1991	98		11.95	13.35
93	89	Funding 5¾pc '87-91##	92		6.20	11.57
90	86	Treas. 3pc 1991	90		3.32	10.21
100	95½	Treas 10pc Cv '91 ##	96		10.39	12.58
101	96	Exch. 11pc 1991	97		11.28	12.47
94	91	Treas. 8pc 1991	92xd		8.68	12.42
106	100	Treas 12¾pc 1992##	101		12.61	12.10
99½	95	Treas 10pc 1992	95		10.43	12.11
94	90	Treas. 8pc 1992 ##	91		8.73	12.12
100	96	Treas 10½pc Cv 1992##	96		10.84	11.99
85	82¼	Treas. 3pc 1992	84xd		3.55	10.06
105	100	Exch. 12¼pc '92	100		12.19	11.99
109	103	Exch 13½pc 1992	103		13.00	11.84
94	90	Treas 8¼pc 1993	90		9.08	11.69
100	95	Treas 10pc 1993##	95		10.45	11.55
108	102½	Treas 12½pc 1993##	102		12.18	11.58
88	84	Funding 6pc 1993##	86		6.93	10.34
113	107	Treas 13¾pc 1993##	107xd		12.82	11.45
94	89	Treas. 8½pc 1994	90		9.42	11.47
117	110	Treas 14½pc 1994##	110		13.10	11.26
113	106	Exch 13½pc 1994	107		12.60	11.39
100	95	Treas. 10pc Ln. 1994##	95xd		10.45	11.25
110	103	Exch. 12½pc 1994	103		12.02	11.36
96	91	Treas 9pc 1994##	91		9.80	11.17
		Five to Fifteen Years				
108	102	Treas 12pc 1995	102		11.70	11.30
79	72	Exch 3pc Gas 90-95	76		3.93	8.19
101	95¾	Exch. 10¼pc 1995	96		10.64	11.17
113	107	Treas 12¾pc 1995##	107		11.89	11.06
119	111	Treas. 14pc '96	112		12.52	11.27
97	91	Treas. 9pc 1992-96##	91		9.85	10.93
136	118	Treas 15¼pc 1996##	118		12.85	11.11
117	109	Exch 13¼pc 1996##	109		12.06	11.08
101	94	Conversion 10pc 1996	95		10.47	10.93
118	110	Treas 13¼pc 1997##	110		11.96	11.02
104	97	Exch 10½pc 1997	97		10.73	10.92
95	88	Treas 8¾pc 1997##	89		9.74	10.70
128	119	Exch 15pc 1997	119		12.50	11.13
100	93	Exch. 9¾pc 1998	94		10.34	10.01
84	78	Treas 6¾pc 1995-98##	79		8.46	10.41
134	125	Treas. 15½pc '98##	125		12.37	10.94
113	105	Exch. 12pc 1998	106		11.30	10.90
100	93	Treas 9½pc 1999##	93		10.11	10.52
115	107½	Exch. 12¼pc 1999	107		11.34	10.86
105	97	Treas. 10½pc 1999	98		10.66	10.76
104	96	Conversion 10¼pc 1999	97xd		10.57	10.74
94	86	Treas. 8½pc Ln 2000##	87		9.68	10.46
97	90	Conversion 9pc 2000##	90		9.90	10.47
122	113	Treas. 13pc 2000	113		11.48	10.85
103	95	Treas 10pc 2001	96		10.40	10.57
124	111	Treas. 14pc '98-01	115	.....	12.08	11.06
102	94	Conversion 9¾pc 2001			10.28	10.52
113	105½	Exch. 12pc '99-02	105		11.32	10.93
104	96	Conversion 10pc 2002			10.34	10.47
102	94	Treas 9¾pc 2002	95		10.25	10.43
97	89	Exch. 9pc 2002	90		9.96	10.36
136	117	Treas. 13¾pc 2000-03	117		11.69	10.90
105	97	Treas 10pc 2003	97		10.24	10.32
113	104	Treas. 11½pc 2001-04	104		10.95	10.71
106	97	Treas. 10pc 2004	97		10.21	10.28
59	54	Funding 3½pc '99-04	54		6.29	9.01
102	94¼	Conversion 9½pc 2004			10.04	10.21
		Over Fifteen Years				
103	94½	Conversion 9½pc 2005	94		10.02	10.17

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
111	102	Exch. 10½pc 2005	102		10.24	10.16
125	115	Treas. 12½pc 2003-05	115½		10.81	10.36
90	82	Treas. 8pc 2002-06##	83		9.03	10.11
118	109	Treas. 11¾pc 2003-07	109		10.72	10.37
96	87	Treas 8½pc 2007 ##	87		9.65	9.95
134	123	Treas. 13½pc '04-08	123½		10.92	10.30
101	92	Treas. 9pc 2008 ##	92		9.73	9.88
93	92	Treas. 9pc 2008 B	92		9.73	9.88
92	83	Treas. 8pc 2009	83		9.50	9.82
102	92	Conv. 9pc Ln 2011 ##	92		9.68	9.79
68	62	Treas. 5½pc 2008-12##	62		8.83	9.60
89	81	Treas. 7¾pc 2012-15##	81		9.52	9.74
132	119	Exch. 12pc '13-'17	119xd		9.99	9.81
		Undated				
45	40	Consols 4pc	40		9.89	–
40	35	War Loan 3½pc##	35xd		9.77	–
70	60	Conv. 3½pc '61 Aft.	62		5.67	–
41	31	Treas. 3pc '66 Aft.	32		9.32	–
30	25	Consols 2½pc	25		9.85	–
29½	25	Treas. 2½pc	25		9.95	–
		Index-Linked (b)			(1)	(2)
112	103	Tr. 2pc '92##(97.8)	111		2.93	4.14
105	94	Do. 2 '94 (102.9)	104		3.87	3.49
155	139	Do. 2pc '96(67.9)	153		3.00	3.42
130	118	Do 2½pc '01(78.3)	128		3.44	3.72
127	115	Do. 2½pc '03(78.8)	125		3.53	3.77
131	117	Do. 2pc '06(69.5)	128		3.56	3.76
123	110	Do. 2½pc '09(78.8)	120		3.57	3.75
122	114	Do. 2½pc '11(74.6)	125		3.56	3.73

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%.

LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Building Societies				
[illegible]	98	Nationwide Anglia 12⅛pc 4.12.89	99	.....	12.33	15.10
100	99	Do. 12pc 2.1.90	99	.....	12.86	15.20
100	98	Do. 12pc 29.1.90	99	.....	12.65	15.23
[illegible]	98	Do. 12pc 26.2.90	99	.....	12.75	15.21
[illegible]	98	Do. 12¾pc 19.3.90	99	.....	12.98	15.14
100	98	Do. 13⅝pc 23.4.90	99¼xd	.....	13.49	15.10
[illegible]	98	Do. 13pc 14.5.90	99	.....	13.12	15.04
[illegible]	98	Do. 13pc 4/6/90	99	.....	13.76	14.98
100	99	Do. 14pc 2.7.90	99	.....	14.37	14.90
100	98	Do. 13⅝pc 23.7.90	99½	.....	13.74	14.82
[illegible]	98	Do. 13pc 13.8.90	99	.....	13.57	14.71
[illegible]	98	Do. 13½pc Bds 3.9.90	99	.....	13.63	14.61
107	98	Do. 3⅞pcIL Ln 2021	107xd	.....	4.15	4.20
107	99	Do. 4.25pcIL '24	106	.....		
		Public Board and Ind.				
47	43	Met. Wtr. 3pc 'B'	46xd	.....	6.53	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	f8.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	f7.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	f5.00
80	65	Hung. '24 Ass	[illegible]	.....	2.75	13.57
139	126	Hydro Quebec 15pc 2011	126		15.00	11.57
128	114	Iceland 14½pc Ln 2016	114xd		14.50	12.55
97	90	Ireland 9¾pc '91-96	90xd	.....	9.75	11.85

AMERICANS

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

Continued on next page

LONDON SHARE SERVICE

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AMERICANS – Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15⅞	847p	Hasbro Inc 50c	14⅛	+⅛	16c	–	0.7
57½	32¼	Honeywell $1½	51¼	.....	$2.75	–	3.4
22⅞	15¼	Houston Inds. ‖	22	.....	$2.96	–	8.5
76⅞	60⅞	IBM Corpn $1¼	63⅝	+2¼	$4.84	–	4.8
60p	45p	Image Storage/R.Sys.Ic.	52p	+2	–	–	–
32¼	18¼	Ingersoll-Rand $2	28	.....	$1.20	–	2.6
33¼	22½	Lockheed Crpn. $1	25½	–1	$1.80	–	4.5
22⅝	13⅝	Lone Star Inds $1	13⅝	.....	$1.90	–	8.8
27⅞	17½	Louisiana Land 15c	25½	.....	$1.00	–	2.5
20½	11½	Lowe's 50c	18½	.....	48c	–	1.6
28⅞	15⅞	Manuf. Hanover $1	24⅞	.....	$3.28	–	8.4
22⅞	13⅞	Merrill Lynch $1	16⅞	.....	$1.00	–	3.9
2477p	1910p	Molex Inc.	2186p	.....	3.2c	–	–
30⅛	18⅛	Morgan (JP) $2½	27½	+⅛	$1.66	–	3.8
28⅞	24⅛	Morris (Philip)	26½	+⅛	$1.13	–	2.7
54½	36¼	NYNEX $1	52¼	+1¼	$4.36	–	5.3
44p	16p	N'wide Legal Serv. ‖	21p	+1	–	–	–
24⅞	18¼	PHH Corp. ‖	23½	+½	$1.16	–	3.1
259p	174p	Pacific Agr. ‖	174p	.....	–	–	–
28¼	19	Pacificorp $3¼	28¼	+¼	$2.76	–	3.9
30¼	16⅞	Pacific Telesis 10c	28¼	+¼	$1.88	–	4.2
22⅞	15¼	Pall Corp. 25c	21⅞	+⅞	48c	–	1.4
55¼	39⅞	Pennzoil 83 1/3c	50⅛	.....	$3.00	–	3.8
42¼	28⅛	Quaker Oats $5	39⅛	.....	$1.40	–	2.2
32⅛	23½	Rep NY Corpn $5	30¼	.....	$1.28	–	2.7
16⅛	11⅞	Rockwell Intl. $1	14½	.....	78c	–	3.4
29½	22	Sears, Roebuck 75c	24½	+⅞	$2.00	–	5.2
37½	21⅛	Southwestern Bell $1	35¼	+⅛	$2.60	–	4.7
27⅞	17⅞	Sun Co Inc. $1	24¼	.....	$1.80	–	4.7
31¼	22⅞	TRW Inc. 62½c	29¼	.....	$1.72	–	3.7
24⅞	14¼	TW Services $5	21¼	+¼	–	–	–
40⅞	26¼	Tenneco $5	37⅛	.....	$3.04	–	5.1
35⅞	28	Texaco $6.25	35⅞	.....	$3.00	–	3.7
38⅞	18⅞	Texas Instr. $1	19⅞	.....	72c	–	2.4
117⅞	58⅞	Time Inc. $1	84⅞	.....	$1.00	–	0.7
19⅞	13⅞	TRINOVA Corp.	14⅞	.....	s68c	–	2.9
26⅞	16	USX $1	22⅞	+⅞	$1.40	–	4.0
321p	126p	Unilab	312p	.....	–	–	–
36⅝	22¼	Utd. Technologies	34⅞	+½	$1.60	–	2.9
158p	121p	Utilitech Inc.	134p	.....	–	–	–
48¼	31½	US West ‖	45⅛	.....	$3.76	–	5.3
43¼	22⅝	Waste Management $1	41⅛	.....	60c	–	0.9
20½	15½	Whirlpool $1	19⅞	+½	$1.10	–	3.6
24⅛	16⅞	Whitman Corp.	15⅛	.....	$1.02	–	3.6
46⅝	28¼	Woolworth $3½	37⅞	.....	$1.88	–	3.2

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
178p	129p	A&M Gold Corp ‖	165p	+2	–	–	–
26p	4½p	Abbot Energy Corp.	26p	+½	–	–	–
20¼	902p	Amer. Barrick Res.	20¼	+⅛	–	–	–
36p	10½p	Arrneno	36p	+5	–	–	–
33⅛p	8½p	Augmitto Expln.	12p	–½	–	–	–
18½	12⅞	Bk. Montreal ‖	10½	+⅛	$2.12	–	6.2
10⅛	655p	Bk. Nova Scot. ‖	975p	+11	92c	–	5.1
824p	599p	BC Gas $1	824p	+7	60c	–	4.0
24	17	BCE ‖	24	+¼	$2.44	–	5.5
17	12¼	Brascan ‖	15	+¼	88c	–	3.2
228p	108p	Breakwater Res.	179p	+21	10c	–	3.0
17⅞	11¼	Can. Imp Bank ‖	17⅛	+¼	$1.24	–	3.8
15¼	997p	Can. Pacific ‖	15⅛	+¼	76c	–	2.9

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1989 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
21½	11	Scott Pickford 10p....y	12	.....	Φ0.38	3.8	4.2	0.1
160	95	Seacon Hldgs........y	130	.....	†2.5	6.1	2.6	8.1
39	20	Sleepy Kids 5p......y	25	.....	-	-	-	-
*17½	5½	Stats Hldgs. 5p......y	7½	.....	-	-	-	13.0
*3¼	1¼	Swanyard Studios 1p y	1¼	-¼	-	-	-	6.0
11	2½	System Connection 2½p y	2½	.....	-	-	-	3.5
50	28	Tavern Leis. 20p....y	39	.....	-	-	-	-
115	28	Tomorrows Leisure 20p y	89	-2	-	-	-	33.9
For Tullow Oil see Oils & Gas								
113	60	UPL Group 10p.....y	65	.....	2.75	1.9	5.6	12.3
150	129	Unit Group.........y	129	.....	5.0	3.3	5.2	7.3
100	66	Video Magic Leis. 1p y	79	.....	W2.0	0.7	3.4	63.5
14	4½	Vista Ents 5p.......y	5	.....	-	-	-	-
40	21	Vizcaya Hldgs 5p...y	23	.....	-	-	-	-
46½	23	Whitegate Leisure 20p y	37	-1	-	-	-	-
32½	10	Do. Wrrnts..........y	25	.....	-	-	-	-
10¼	5	Wilton Group 1p....y	5¼	.....	-	-	-	-

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ¢ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ● Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ■ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p....y	87	.....
Craig & Rose £1...y	830xd	.....
Finlay Pkg. 5p.....y	66	.....
Holt (Jos) 25p.....y	1340	.....

IRISH

Cap. 8¾% Ln. 1991...	£96¾	.....
9pc Cap Ln. 1996..	£97	.....
Fin. 13% 97/02.....	£116	.....
Arnotts..................	485xd	.....
Carrol (P.J.).........y	143	.....
Hall (R. & H.).........	199	-1
Helton Hldgs.........y	68	.....
IRG......................	229	.....
United Drug...........	139	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	4½
Astec (BSR)	5¼
BAT	47
BOC Grp.	44
BTR	37
Barclays	40
Blue Circle	28
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons.	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	120
Grand Met.	44
Guardian	19
GKN	33
Hanson	10
Hawker Sidd.	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk.	26
Morgan Grenfell	38
Nat West Bk.	23
P & O Dfd	53
Polly Peck	38
Racal Elect.	23
RHM	39
Rank Org Ord.	72
Reed Intnl.	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm.	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and yen require support

STERLING and the Japanese yen required central bank support yesterday, as both currencies lost ground to the dollar and D-Mark.

The pound gained very little help from figures showing lower than forecast UK bank lending in October. It remains vulnerable to political nervousness, after the Lawson resignation, a possible challenge to Mrs Thatcher's leadership of the ruling Conservative Party next month and Britain's apparent isolation within the European Community.

These factors are simmering under the surface at present, but could become further reasons to sell sterling if Thursday's UK trade figures for October do not produce an improvement. Most forecasts for the current account deficit are little different from the September figure of £1.64bn.

October sterling M0 money supply rose 0.8 per cent, compared with forecasts of 0.6 per cent, but lending by banks and building societies rose only £5bn in October, against an expected £7.8bn. The Bank of England had already intervened to buy sterling, against the dollar and European Currency Unit, and the pound did not gain much support from the economic news. Reluctance to hold the currency seems to be growing, ahead of the trade figures and at a time when the D-Mark continues to improve.

Sterling lost 2¾ pfennigs to DM2.8625 and 1 cent to $1.5590. The pound also fell to Y225.25 from Y226.50; to SFr2.5450 from SFr2.5625; and to FFr9.7400 from SFr9.8300. Its index declined 0.6 to 87.5.

The D-Mark rose, but remained within its cross rate limits against all members of the European Monetary System. No rise in official West German interest rates is expected in the short term - the Bundesbank set an unchanged rate et this week's securities repurchase agreement tender - but an increase is not ruled out, against the background of the East German situation. Fears of higher rates led to a further weakening of West German Government bond futures on Liffe yesterday.

Interest rate factors in favour of the D-Mark were also encouraged by Mr Satoshi Sumita, Governor of the Bank of Japan. His comments in Tokyo dampened speculation that Japan is about to raise its discount rate. The D-Mark broke through resistance at Y78.50 against the yen, closing at Y78.67 in London, compared with Y78.37 on Friday.

The Bank of Japan intervened to buy the yen against the dollar in Tokyo, and the US Federal Reserve also supported the yen by selling dollars at around Y144.65 in New York.

There were no fresh factors to influence the dollar. In subdued trading the US currency closed in London at DM1.8360, compared with DM1.8425 on Friday. It also fell to SFr1.6320 from SFr1.6330 and to FFr6.2475 from FFr6.2650, but rose to Y144.45 from Y144.40. The dollar's index was unchanged at 70.0.

EURO-CURRENCY INTEREST RATES

Nov 20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	14 13/16-14 11/16	15⅛-15	15 3/16-15 1/16	15⅛-14⅞	14⅝-14½
US Dollar	8½-8¼	8½-8¼	8⅞-8¾	8⅞-8¾	8¾-8⅝	8⅝-8½
Can. Dollar	12-11¼	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞	12-11¾	11 13/16-11⅝
D Guilder	8⅛-8⅝	8⅞-8⅝	8⅞-8¼	8⅞-8⅜	8⅞-8⅝	8⅞-8⅝
Sw. Franc	6⅞-6⅝	7-6⅞	7⅞-7⅛	7⅞-7⅛	7⅞-7¾	7 11/16-7 9/16
Deutschmark	7⅝-7⅛	7⅞-7⅝	7 13/16-7 11/16	8⅛-8¼	8⅜-8¼	8⅞-8⅜
Fr. Franc	10⅞-10⅛	10⅛-10⅞	10⅝-10⅛	10⅝-10⅝	10⅞-10⅞	10⅞-10⅞
Italian Lira	12-10	12⅞-11⅞	12⅞-12⅝	12⅞-12⅝	12⅞-12⅝	13-12⅝
B. Fr. (Fin)	9⅛-9⅝	9 13/16-9 11/16	9 13/16-9 11/16	9 13/16-9 11/16	9⅞-9⅝	9 13/16-9 11/16
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8¼-8⅛ per cent; three years 8¼-8⅛ per cent; four years 8½-8⅜ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

Nov 20	Latest	Previous Close
£ Spot	1.5590-1.5600	1.5670-1.5677
1 month	0.84-0.83pm	0.85-0.83pm
3 months	2.35-2.31pm	2.52-2.49pm
12 months	8.38-8.28pm	8.57-8.47pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 20	Previous
8.30 am	87.8	88.7
9.00 am	87.7	88.7
10.00 am	87.6	88.5
11.00 am	87.6	88.5
Noon	87.6	88.4
1.00 pm	87.5	88.4
2.00 pm	87.4	88.3
3.00 pm	87.5	88.0
4.00 pm	87.5	88.1

POUND SPOT - FORWARD AGAINST THE POUND

Nov 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5560-1.5670	1.5585-1.5595	0.84-0.83cpm	6.39	2.52-2.49pm	6.43
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 60.10-60.20. Six-month forward dollar 4.83-4.78cpm 12 Month 8.75-8.65cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5535-1.5670	1.5585-1.5595	0.84-0.83cpm	6.39	2.52-2.49pm	6.43
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.55-38.65.

CURRENCY RATES

Nov 20	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	1.23575	1.40300
U.S. Dollar	7	1.27315	1.10083
Canadian $	12.46	1.49920	1.30050
Austrian Sch.	6½	16.3306	14.4119
Belgian Franc	10¼	49.2295	42.9586
Danish Krone	9	9.11894	7.99486
Deutsche Mark	6.00	2.34651	2.04648
Neth. Guilder	7.00	2.64561	2.30942
French Franc	9½	7.97501	6.95998
Italian Lira	13½	1725.25	1503.23
Japanese Yen	3¾	183.907	160.570
Norway Krone	9	8.80511	7.69583
Spanish Peseta	-	150.106	130.689
Swedish Krona	9¼	8.26927	7.17796
Swiss Franc	6.00	2.07778	1.81267
Greek Drach.	20½	210.340	183.876
Irish Punt	-	0.884611	0.773074

* All SDR rates are for Nov.17 † European Commission Calculations.

CURRENCY MOVEMENTS

Nov 20	Bank of England Index	Morgan Guaranty Changes %
Sterling	87.5	-22.8
U.S. Dollar	70.0	-8.2
Canadian Dollar	105.2	+1.9
Austrian Schilling	108.4	+10.9
Belgian Franc	107.8	-4.9
Danish Krone	106.3	+0.7
Deutsche Mark	115.9	+22.8
Swiss Franc	106.6	+15.3
Guilder	112.6	+14.4
French Franc	101.3	-14.2
Lira	99.4	-19.1
Yen	134.6	+64.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1985=100). *Rates are for Nov.17

OTHER CURRENCIES

Nov 20	£	$
Argentina	1011.65-1019.80	650.00-655.00
Australia	1.9955-1.9975	1.2795-1.2805
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	1044.90-1061.75	669.80-675.00
Kuwait	0.4670-0.4690	0.2985-0.2995
Luxembourg	60.05-60.15	38.50-38.60
Malaysia	4.2170-4.2275	2.7080-2.7100
Mexico	4101.10-4118.00	2635.00-2645.00
N Zealand	2.6410-2.6470	1.6940-1.6970
Saudi Ar.	5.8695-5.8750	3.7505-3.7515
Singapore	3.0530-3.0585	1.9600-1.9630
S. Af (Cm)	4.0910-4.1020	2.6340-2.6355
S. Af (Fn)	6.1395-6.2630	3.9370-4.0160
Taiwan	40.20-40.30	25.80-25.85
U.A.E.	5.7465-5.7520	3.6720-3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.9586	+1.18	+1.04	±1.5424
Danish Krone	7.85212	7.99486	+1.82	+1.67	±1.6419
German D-Mark	2.05853	2.04648	-0.59	-0.73	±1.1019
French Franc	6.90403	6.95998	+0.81	+0.67	±1.3712
Dutch Guilder	2.31943	2.30942	-0.43	-0.57	±1.5019
Irish Punt	0.768411	0.773074	+0.61	+0.46	±1.6689
Italian Lira	1483.58	1503.23	+1.32	+1.32	±4.0815
Spanish Peseta	133.804	130.689	-2.33	-2.33	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Nov 20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.559	2.863	225.3	9.74	2.545	3.228	2107	1.822	60.10
$	0.641	1	1.836	144.5	6.248	1.632	2.071	1352	1.172	38.55
DM	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.027	1.601	2.939	231.3	10.	2.61[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.393	0.613	1.125	88.53	3.827	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.310	0.483	0.887	69.80	3.017	0.78[illegible]	1	[illegible]	[illegible]	[illegible]
Lira	0.475	0.740	1.359	106.9	4.623	1.20[illegible]	[illegible]	1000.	[illegible]	[illegible]
C $	0.547	0.853	1.567	123.3	5.331	1.39[illegible]	[illegible]	[illegible]	1	[illegible]
B Fr.	1.664	2.594	4.764	374.9	16.21	4.23[illegible]	[illegible]	[illegible]	[illegible]	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE £/$ OPTIONS £25,000 (cents per £1)

LIFFE EURODOLLAR OPTIONS $1m points of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

U.S. TREASURY BILLS (IMM) $1m points of 100%

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

SWISS FRANC (IMM) SFr 125,000 $ per SFr

STANDARD & POORS 500 INDEX $500 times index

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5590	1.5507	1.5340	1.5110	1.4720

IMM-STERLING $ per £

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

US TREASURY BONDS 8% $100,000 32nds of 100%

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

THREE MONTH STERLING £500,000 points of 100%

THREE MONTH EURODOLLAR $1m points of 100%

THREE MONTH EUROMARK DM 1m points of 100%

THREE MONTH ECU ECU 1m points of 100%

FT-SE 100 INDEX £25 per full index point

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 22,168

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Nervous tone

SHORT STERLING futures on Liffe suffered from nervousness about the weakening of the pound on the foreign exchanges yesterday. This prompted profit taking after the March contract rose to the day's peak of 85.82 on news of lower than expected UK bank and building society (M4) lending in October. March delivery fell back to close at 85.77, compared with 85.80 on Friday.

Interest rates on the London money market moved nervously higher in early trading, as sterling lost ground, but eased slightly after the news on money supply and bank lending. Three-month sterling interbank closed at 15¼-15 1/16 per cent, against 15⅛-15 per cent.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England initially forecast a money market credit shortage of £650m, but revised this to £700m at noon, and back to £650m in the afternoon. Total help of £527m was provided.

Before lunch the authorities bought £210m bills, by way of £10m Treasury bills in band 2 at 14⅞ per cent and £200m bank bills in band 2 at 14⅞ per cent. In the afternoon another £287m bank bills were purchased, in band 1, at 14⅞ per cent. Late assistance of £30m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,285m, with bank balances below target absorbing £55m. These factors outweighed Exchequer transactions adding £210m to liquidity and a fall in the note circulation of £490m.

In Frankfurt call money traded around 7.30 per cent. This is the level that the Bundesbank has set recent securities repurchase agreement tenders for one-month funds and is regarded as the central bank's target rate for call money. On Friday the rate fell as low at 7.00 per cent because of surplus liquidity in the market.

The Bundesbank has again offered liquidity to the market this week, via a 29-day securities repurchase agreement tender, at a fixed 7.30 per cent. An earlier facility of DM9.6bn expires today. The tender was set a day earlier than usual because of a public holiday in West Germany tomorrow.

In Paris the Bank of France left its money market intervention rate at 9½ per cent when injecting FFr59.9bn into the domestic money market through a securities repurchase tender. A pact of FFr55bn expired yesterday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 20) 3 months US dollars: bid 8⅝ offer 8¾ — 6 months US Dollars: bid 8⅝ offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate; Broker loan rate; Fed.funds; Fed.funds at intervention — One month; Two month; Three month; Six month; One year; Two year; Three year; Four year; Five year; Seven year; 10-year; 30-year

Nov 20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.50
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Nov 20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills: Average tender rate of discount 14.4267 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1989. Agreed rates for period November 26, 1989 to December 25, 1989, Scheme I: 15.66 p.c., Schemes II & III: 16.22 p.c. Reference rate for period Sept 30, 1989 to October 31, 1989, Scheme IV&V: 15.084 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1989. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

[illegible]

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9%. Surplus 8.5%. Top Tier £10,000+ Instant access 12.8%. ◆ Mortgage base rate. § Demand deposit 9%. Mortgage 14.25% - 15%.

COMPANY NOTICES

NOTICE

COMPANHIA DE DIAMANTES DE ANGOLA S.A.R.L.

All those persons who were shareholders in the above Company on 1st July 1976 or their heirs who have not yet contacted the Trustees of the Clause IV Reserve Trust namely Goddard Trustees (Jersey) Limited should please contact the said Trustees as soon as possible to enable shareholders to participate in a distribution of the Reserve Fund.

Dated 15th November 1989
St Helier
Jersey

Signed: Goddard Trustees (Jersey) Limited
PO Box 344
St Helier
Jersey
Channel Islands

CONTINENTAL (BERMUDA) LIMITED
US$250,000,000
Floating Rate Notes due 2006
Guaranteed by Hungarian Foreign Trade Bank Ltd

Notice is hereby given that for the Interest Period 22nd November, 1989 to 22nd February, 1990 a period of 92 days, the Rate of Interest will be 8.75 per cent per annum. The Interest Amount payable on the Interest Payment Date 22nd February, 1990 will be US$ 5,590.28 for each Note of US$250,000.

Agent Bank
Dean Witter Capital Markets - International

LEGAL NOTICES

BRITISH ROPEWAY ENGINEERING COMPANY LIMITED
Company No. 543593

Pursuant to Part V Chapter VII of the Companies Act 1985 ("the Act") Notice is hereby given:-

(a) that the Company has approved a payment out of capital for the purpose of purchasing its own shares;

(b) that the permissible capital payment for the shares in question is £39,520 as authorised by a Special Resolution of the Company passed on 17th November 1989 pursuant to Section 173 of the Act;

(c) that the Statutory Declaration of the Directors and the Auditors' Report required by that Section are available for inspection at the Company's Registered Office at Yorktown House, 8 Frimley Road, Camberley, Surrey; and

(d) that any creditor of the Company may at any time within the period of five weeks immediately following the date of the Resolution for payment out of capital (namely 17th November 1989) apply to the Court under Section 176 of the Act for an order prohibiting the payment.

Ashurst Morris Crisp
Broadgate House
7 Eldon Street
London EC2M 7HD

17th November, 1989

ART GALLERIES

MARTYN GREGORY

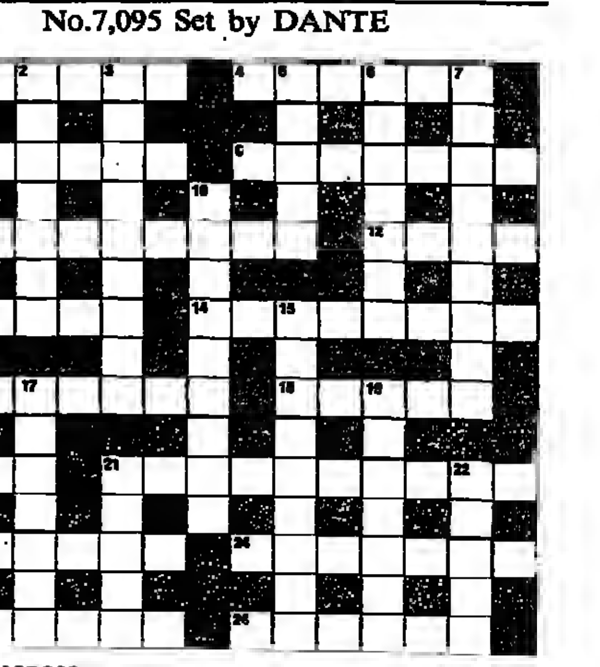
Early English Watercolours. Nov.1-24 10-6. Sats 10-1.
34 Bury Street, St. James's, London SW1 01 839 3731.

LEGER, 13 Old Bond St, W1. JULIAN BARROW, Recent Paintings. Mon-Fri, 9.30-5.30.

JOTTER PAD

CROSSWORD

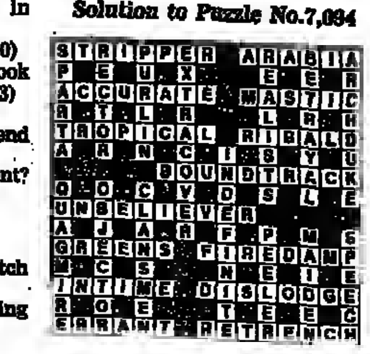
No.7,095 Set by DANTE



ACROSS
1 Agrees to take in scholar gypsies (8)
5 An even chance the matador will try to avoid (4-2)
9 Books of flowers? (7)
10 In a small way he shows the main trouble with relatives (7)
11 One growing up in a cave (5)
12 Run of the mill currency (4)
13 Large kind of type in the chapter (5)
14 It's of use when it's on fire (8)
16 Business head shows resolution (8)
18 Off-peak call (5)
20 Love to go to the bar in Scotland (4)
21 Judge a friend severely (10)
23 Tabby is prepared to look after another's young (4-3)
24 See 17 down
25 This will appear at the end of the eighties (6)
26 Behind, like, with the rent? That's awkward (8)

DOWN
1 Group composition to catch on the heart (5)
2 Muddled girl takes nothing up (7)
3 Once a public transport industry (9)
5 Speak out for zero taxation (5)
6 It's important to one's standing as rider (7)
7 Money is most important (9)
10 Offal and joint put together in one vessel (9)
13 A chap on foot? (9)
15 Stars as roof-raisers (9)
17 and 24 Reserve currency? (5,2,3,4)
18 A large number mob the author (7)
21 Hard rock for Mr Eastwood (5)
22 Russian took the nine-fifty up (5)

Solution to Puzzle No.7,094



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · HONG KONG · AUSTRALIA · AUSTRALIA (continued) · SINGAPORE

CANADA

TORONTO

Closing prices November 17

Sales	Stock	High	Low	Close	Chng
17600	CentFd A	$9½	8	6½	+ ⅛
728	C Guar Tre	$16½	10½	10½	+ ⅛
14450	Charan	88	85	88	+ 8
1800	Chieftan	$28¼	19⅞	20	+ ⅛
285	CHUM B f	$23	23	23	−1
223855	Cineplex	$12	11	11	− ⅝
300	Co Steel f	$17	16⅞	16⅞	− ⅛
204576	Cominco	$28	27¼	27¼	
2981	Compoilog	400	400	400	
36450	Connaught	$33⅝	33⅛	33½	
11177	Inter City	$25⅝	25⅝	25⅝	− ⅛
825	Interhome	$45¾	45½	45½	− ⅛
875	Inv Grp	$22	21⅞	22	− ⅛
37688	Ipsco	$16	16	16	− ½
2800	Ivaco A f	$11¼	11	11⅛	
12614	Jannock	$19⅝	19½	19½	
51800	Kerr Add	$20⅝	20⅛	20⅛	− ⅛
24800	Labatt	$24⅞	24⅛	24⅛	+ ⅛
486986	Lac Mnrls	$13⅞	12½	12⅞	+ ⅛
285	Lafarge p	$22¼	22⅛	22⅛	− ⅛
71860	Laidlaw A	$20⅞	20⅞	20⅛	+ ⅛

1— No voting rights or restricted voting rights.

MONTREAL

Closing prices November 17

Total Sales 5,286,500 shares.

INDICES

NEW YORK

DOW JONES	Nov. 17	Nov. 16	Nov. 15	Nov. 14	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2652.66	2635.66	2632.58	2610.25	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.50	93.55	93.35	93.16	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1191.15	1197.72	1205.19	1201.46	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.08	222.40	221.58	219.88	222.40 (16/11)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2665.37 (2650.61) Low 2623.16 (2613.52)

STANDARD AND POOR'S	Nov. 17	Nov. 16	Nov. 15	Nov. 14	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	341.61	340.58	340.54	337.99	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	389.92	388.05	388.16	385.09	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.68	32.69	32.49	32.28	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	189.28	188.75	188.76	187.51	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	373.35	372.51	372.15	371.52	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	456.71	455.28	455.84	454.03	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

NEW YORK ACTIVE STOCKS · TRADING ACTIVITY

CANADA TORONTO

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

AUSTRALIA · AUSTRIA · BELGIUM · DENMARK · FINLAND · FRANCE · GERMANY · HONG KONG · IRELAND · ITALY · JAPAN · NETHERLANDS · NORWAY · PHILIPPINES · SINGAPORE · SOUTH AFRICA · SOUTH KOREA · SPAIN · SWEDEN · SWITZERLAND · TAIWAN · THAILAND · WORLD

M.S. Capital Intl. (1/1/70) (u) 531.2

**Saturday Nov.18: Taiwan Weighted Price 10309.07. Korea Comp Ex. 900.83.

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000; JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday November 20 1989

	Stocks Traded	Closing Prices	Change on day
Sumitomo Mtl M.	31.9m	2,100	+130
Marubeni	31.2m	998	+18
Sumitomo Corp	18.1m	1,800	+80
Kansai Paint	18.0m	1,380	+80
Kaisei Etc Rwys	15.2m	3,070	+80
Kyokuyo	12.1m	1,740	+150
Nissho Iwai	11.8m	950	+18
C.Itoh	11.4m	1,120	+10
Mitsubishi Mtl	11.3m	1,220	8
Mitsui & Co	11.0m	1,220	+20

2pm prices November 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	21¾	AAR	.48	1.4	21	163	34½	34	34⅛	- ⅛
9⅝	8⅛	ACM n	1.01	11.		76	9½	9⅜	9½	
11⅞	10¼	ACMIn	1.26	11.		182	11⅝	11⅜	11½	+ ⅛
10⅞	8	ACM M n	1.01	12.		378	8⅞	8⅝	8⅝	- ⅛
11½	10	ACM Sc	1.26	11		801	11⅛	11⅛	11⅛	
9⅝	8⅞	ACMSp	1.01	11.		401	9⅛	8⅞	9⅛	
18	11½	AL Lab	.12	.8	16	250	16	16	16	
4⅛	3⅛	AMCA	.12e	3.6	23	105	3⅜	3⅜	3⅜	
8⅛	4⅞	AM Int			11	1460	5½	5⅛	5⅜	- ⅛
23⅛	19⅝	AM In pf	2	9.8		36	20⅜	20⅛	20⅜	+ ⅛
107¾	47⅜	AMR			8	5850	67½	64⅛	64⅞	- 2⅞
8½	3⅜	ARX				19	3⅛	3⅛	3⅛	- ⅛
54⅞	37⅛	ASA	3a	5.7		822	53⅛	52⅛	52	+ ½
30¾	15⅛	AVX	.24		6	26	448	28½	28⅜	28⅜ - ⅛
80⅛	44⅛	AbtLab	1.46	2.1	18	1436	68⅛	68	68⅛	+ ⅛
10¾	12⅛	Abitibi g	1			262	12⅛	12½	12¾	+ ⅛
13	7½	AcmeC	.40	4.2		72	9⅛	9⅛	9⅛	
9⅛	5⅝	AcmeE	.32	3.6	11	9	8½	8⅛	8⅞	- ⅛
38½	20⅛	Acusn			25	193	37⅞	37⅛	37⅛	- ⅛
17⅛	14⅞	AdaEx	2.08e	13.		3129	16⅛	15⅛	15⅛	
12⅜	8½	Adobe				92	11⅛	11½	11⅛	
19⅛	16½	Adob pf	1.84	9.9		10	18⅞	18⅛	18⅞	- ⅛
21⅛	18⅞	Adob pf	2.40	12.		3	20⅞	20⅛	20⅞	+ ⅛
10½	7⅛	AMD				963	7⅞	7⅛	7⅛	- ⅛
35	28⅛	AMD pf	3	10.		10	30⅛	29⅞	30⅛	+ ⅛
[illegible]										

Continued on Page 53

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12	5⅞	WrldCp			16	172	14⅛	13½	13½	-⅝
10⅞	15⅝	WrldVl	2.05e	11.		62	17¼	17⅝	17⅞	-¼
51⅛	34⅝	Wrigley	.80e	1.7	17	212	47	45⅝	45⅝	-⅜
13¼	7⅞	WyleLb	.28	3.1	16	8	9⅛	9⅛	9⅛	-⅛
12¾	4½	Wynn				807	10	9½	9¾	-¼
		- X-Y-Z -								
60	58⅞	Xerox	3	5.2	10	1847	58⅛	37⅛	37⅛	-⅝
44¼	28¾	XTRA	.72	2.9	7	165	24¾	24½	24½	
33	21⅛	XTRA pf1.94		8.6		38	23½	23½	22½	+⅛
4¼	2	Zapata				3497	2⅞	2¼	2⅜	
16¾	9⅞	Zemex	.40	4.3		4	9⅞	9⅞	9⅞	-⅛
21½	11½	ZenithE				782	12⅞	12⅛	12⅛	-⅛
2½	⅜	vjZenLb				2746	11-32	⅜	9-32	+1-32
21½	15⅝	ZeniNI	.84	4.5	9	22	18⅝	13¼	18½	+¼
13	6⅞	Zeolx	1.20	15.		287	7⅞	7⅞	7¾	
18½	15½	Zero s	.40	2.7	14	22	15⅛	14⅞	13	-⅛
44¾	25½	Zurnis	.76	1.9	10	21	39⅛	65⅞	39⅛	
12⅞	10	Zweig	1.12e	9.4		277	12	11⅞	11⅞	-⅛
9⅞	8⅛	ZweigTl	.96	9.9		1490	9⅛	9⅞	9⅞	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices November 20

[illegible]

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Hasbro	.18	14	886	21⅞	21⅛	21⅛	-½
HlthCh		13	55	2¼	2¼	2¼	-⅛
Hmst	.21	3	179	6	4⅞	4⅞	-⅛
Helco	.16	17	28	11½	11½	11⅛	-⅛
HeristEn			2	1⅝	1⅝	1⅛	
HershO		120	44	6	6	6	+⅛
HollyCp	.40a	6	34	31⅛	30½	30½	-⅛
HomeSh			745	6⅛	5⅞	6	
Hormel	.44	16	353	32¼	32	32	-⅛
HrnHar			43	6½	6⅛	6⅛	-¼
HouOT	.01e	45	282	1⅛	1⅛	1⅛	
HovnEn		7	8	9	2	9	-⅛
NCdO 2	.20		90	17⅞	17⅛	17⅛	-⅛
		-O-P-Q-					
OEA		14	9	31⅝	21	21	-⅞
OMI		12	819	10⅝	16⅛	10⅛	-⅛
OdetA		30	4	4⅛	4⅛	4⅛	+⅛
Olsten s	.24	14	136	17¾	17¼	17¼	-¼
OOkiep	1.14e	2	8	9⅞	9⅞	9⅞	
PallCp	.48	22	473	33⅞	32⅝	22	-1
PegGld	.10e	61	845	13⅞	18½	13⅞	+⅛
PeopBc	.56	2	20	16½	16½	10⅞	
PerinIC	.60	38	34	35¼	35¼	35¼	-⅛
PhILD	.15e	12	61	23⅞	22¼	22¼	+⅛
PhIDem	.36	12	46	21¼	27¾	27¾	
Pittway	1.80	14	2	90¼	89¼	89¼	-⅝
PlyGem	.16	11	47	11⅛	11⅛	11⅛	-⅛
Pread B		175	6	7	7	7	-⅛
		-V-W-					
VtRsh		6	40	2⅛	2⅛	2⅛	
WangB	.12j		743	5¼	5⅞	5⅛	
WangC	.06j		8	5⅞	5½	5½	-⅛
WshPst	1.84	26	21	288½	288⅛	285¾	+⅛
WthfAd			115	3½	3⅛	3½	
WellAm			11	9-16	9-16	9-16	+1-16
WDigtl		16	367	8⅛	6⅞	6⅞	-⅛
WIRET	1.40	10	90	10⅞	17⅞	17⅞	-⅛
Wortfin		15	37	12	11⅛	16	

NASDAQ NATIONAL MARKET

2pm prices November 20

[illegible]

FINANCIAL TIMES

Tuesday November 21 1989

AMERICA

Washington defence cuts weigh on share prices

Wall Street

A PLUNGE in defence issues pushed the equity market sharply lower yesterday, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was quoted 26.38 lower at 2,626.28 on low volume of 81m shares by midsession. The Dow closed 17 points higher on Friday at 2,652.66.

Other key indices on the American Stock Exchange and Nasdaq over-the-counter market were also lower yesterday.

The fall-out in defence stocks came after weekend remarks from Mr Richard Cheney, US Defence Secretary, who said that he planned deep cuts in US defence spending.

This news initially boosted the bond market, which saw cuts in the defence budget leading to a narrowing in the US budget deficit. However, by midsession, the bond market came off its highs as any effect on the overall deficit would come over a period of years.

The stock market showed no positive reaction to the budget deficit argument. The weakness in defence issues overshadowed any positive effect on market sentiment from news of a sweetened bid for Great Northern Nekoosa by Georgia-Pacific. Georgia-Pacific is now offering $63 a share, up $8 a share from its original bid.

The market's slump yesterday morning came as a disappointment to analysts who had been looking for some follow-through buying after Friday's rally which had taken the Dow to around its best levels for a month. One of the key factors in that rally had been news that General Electric had approved a buy-back programme of $10bn shares over the next five years. Another was a strong earnings announcement from Hewlett-Packard.

Weakness in equities yesterday was not confined to defence issues but spread to the broader market, confounding those who had hoped for the market to build on last week's improved performance.

The market has been trading in a tight range in low volume ever since the October 13 plunge of 190 points. Some technical analysts believe that these two features of the market mean that a technical ceiling has been formed.

Blue chips were generally weak yesterday. International Business Machines dropped $⅛ to $98¼, American Telephone & Telegraph was down $⅝ at $42⅞, Exxon fell $⅜ to $45⅝ and Philip Morris slipped $⅛ to $40⅞.

Great Northern Nekoosa added $1⅛ to $61⅞ and Georgia-Pacific slipped $⅜ to $47¾.

Among defence issues, Martin Marietta slumped $4¼ to $39⅞, General Dynamics fell $4⅞ to $44⅞ and Raytheon plunged $7⅞ to $66.

Boeing, in contrast, added $⅝ to $58⅞ in heavy trading after reaching a tentative agreement with striking machinists on a three-year contract. The machinists were scheduled to hold a vote on the agreement last night, after being on strike for six weeks.

LIN Broadcasting jumped $4⅞ to $120⅞ on news of an improved offer from McCaw Cellular which has raised its offer by $25 a share to $150 a share and boosted the number of common shares it will buy under the offer by 500,000. McCaw's Class A shares fell $1 to $36.

Management Science America jumped $5⅞ to $18 in over-the-counter trading on news that it has accepted an $18.50 a share takeover bid from Dun & Bradstreet whose shares fell $1¼ to $41½ on the New York Stock Exchange.

Canada

THE US defence budget cuts had side effects in Toronto, on stocks which do business with American defence industries.

Shares of CAE Industries, a producer of aircraft simulator units, fell C$⅜ to C$10⅞.

The composite index shed 5.4 points to 3,952.1. Turnover was 12.8m shares.

Connaught, the vaccine maker, climbed C$⅞ to C$33⅞ in light volume after strong trading on US over-the-counter trade. A Boston consulting firm hired by Investment Canada was reported to have said that a foreign takeover of Connaught was imperative for the company's survival. The investment agency is considering two foreign bids for the company.

Blue chip blues add to Sweden's headache

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+3.30	-11.90	+56.46	+56.40	+73.90
Belgium	+1.67	-1.18	+14.06	+9.27	+21.78
Denmark	+3.63	+6.82	+56.60	+36.35	+50.68
Finland	-1.54	-2.88	-3.62	-5.48	+8.25
France	+0.92	-2.22	+27.32	+19.56	+33.28
West Germany	+2.00	+0.02	+20.58	+16.58	+29.43
Ireland	+0.82	-3.17	+26.01	+24.62	+37.57
Italy	+1.34	-1.46	+8.68	+7.36	+19.31
Netherlands	+0.86	-3.21	+23.09	+16.23	+29.11
Norway	-1.21	-4.10	+47.36	+29.41	+41.61
Spain	-1.57	-6.02	+2.73	+5.86	+17.56
Sweden	-4.82	-8.00	+31.80	+20.16	+31.56
Switzerland	+0.02	-2.67	+22.41	+19.72	+27.00
UK	+0.03	+1.25	+18.66	+21.29	+21.29
EUROPE	+0.53	-0.73	+19.54	+18.21	+30.50
Australia	-0.44	-2.67	+10.64	+10.97	+17.28
Hong Kong	+1.21	+2.88	+11.84	+6.17	+22.33
Japan	+0.74	+1.04	+17.55	+12.20	+11.98
Malaysia	+1.26	-3.33	+42.98	+36.35	+57.44
New Zealand	+0.87	-4.71	+14.66	+19.45	+28.75
Singapore	+0.08	-1.96	+34.56	+26.99	+45.19
Canada	+0.33	-0.09	+23.53	+16.77	+37.40
USA	+0.70	-0.93	+27.72	+22.81	+41.36
Mexico	+0.05	-9.63	+92.16	+106.68	+106.39
South Africa	+2.09	+15.53	+48.76	+46.59	+63.50
WORLD INDEX	+0.67	+0.04	+21.14	+16.75	+24.34

† Based on Friday, November 17, 1989

By Alison Maitland

WHILE most stock markets edged ahead last week, Sweden got a nasty shock from some of its favourite blue chips and took a fall of nearly 5 per cent.

Disappointing nine-month figures from Volvo, Pharmacia and Aga were a new blow to a market already down. Stockholm, the biggest of the Scandinavian bourses, has made little progress over the past three months and is 8 per cent lower than a month ago.

It has been undermined by a *sharp rise* in interest rates, which followed government indications last month that inflation and the current account deficit would be higher than expected over the next two years. "Just one and a half months ago, most people were expecting a decline in interest rates," said Mr Hakan Filipson of Baring Securities.

There are worries about the clouded outlook for the motor and paper industries, both of which are central to the Swedish economy. Volvo and Saab are exposed to the US market, where car sales in early November were the weakest for more than two years.

The demand and supply picture also looks negative, with Swedish institutional money continuing to flow into foreign rather than domestic shares since the restrictions on buying overseas equities were lifted in January.

On the supply side, next month sees the start of trading in Trygg-Hansa, the country's second largest insurance company, which has handed out pre-flotation shares to 960,000 clients, most of whom have never owned stocks before. There are fears that many will cash in their shares as an early "Christmas present," causing an overhang of stock, says Mr Filipson.

One potentially positive development, he says, is that individual investors in the tax-incentive *Allemansfonder* will be allowed to move money freely between bond and equity funds from the new year. "A lot of people believe that out of the SKr60bn (in the bond funds) a fair amount will flow into the equity funds."

Scandinavia also produced last week's best performing bourse in the shape of Denmark. It rose 3.6 per cent as the announcement of a merger between Danske Bank and Copenhagen Handelsbank served only to increase speculation about where the next restructuring of the financial sector would occur.

Elsewhere in Europe, West Germany had another strong week, boosted by prospects of business with the East, but the performance was more patchy as profit-takers stepped in. Austria recovered some poise after a prolonged tumble, gaining 3.3 per cent over the week.

The world's leaders gave an uninspiring show, even Japan, which rose just 0.7 per cent in spite of five consecutive records on the Nikkei average.

The US, which had to digest a set of economic figures with mixed appeal, ended a volatile week with a similar gain to Japan's. Weaker retail and industrial production figures added to growing talk of recession, while a narrower trade deficit failed to bring cheer. It was left to General Electric to provide a rally on Friday with news of its share buyback.

ASIA PACIFIC

Weaker yen halts Nikkei's run of advances

Tokyo

AFTER an indecisive start yesterday, the market succumbed to profit-taking and arbitrage selling in the face of a weaker yen, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average ended its eight-day climb with a moderate loss in dull trading, closing 70.16 lower at 35,883.59 after an intraday high of 35,974.91 and a low of 35,862.02. Declines marginally outnumbered advances, by 459 to 443, while another 207 issues were unchanged.

Turnover dropped to 693m shares from the 897m traded on Friday. The broad-based Topix index declined a minimal 0.27 to 2,717.63. In London, the ISE/Nikkei 50 index rose 0.59 to 2,059.25.

This week brings a holiday on Thursday, and a correction was more or less expected after eight days on the upgrade. There is still bullish sentiment around, after the news that the end-October value of specialised investment funds and trusts topped Y40,000bn for the first time. This fanned hopes of further strength in equities and brave predictions were being heard of the Nikkei breaching the 37,000 mark by the end of the year.

However, the yen's weakness against the dollar triggered a fresh round of short term uncertainty about the course that interest rates were likely to take. With the dollar's strength showing no sign of abating, one scenario was that either US interest rates would have to come down, or Japan would have to raise its official *discount rate to bring the* dollar to more acceptable levels.

Investors in Japan are generally agreed that, on the strength of US economic statistics, interest rates there are more likely to fall than to increase. However, they are still inclined to wait for more positive signals to that effect.

Meanwhile, fears of an increase in the Japanese official discount rate have not disappeared altogether. Japanese wholesale prices to be announced today are expected to show a 4 per cent increase, high enough to warrant concern in domestic economic circles.

Share-buying was selective, with the focus on trading companies with Soviet connections, and on fisheries. Marubeni, known to have ties with communist countries, rose to recover the Y1,000 level, its intraday high, for the first time since May. It was second in the actives list with 31.2m shares and closed up Y16 at Y986.

Sumitomo Corp followed in volume with 19.1m shares and posted a strong gain of Y80 to Y1,600. Sumitomo's popularity stemmed in part from the release of strong business results last Friday.

Also seen to benefit from better trade relations with the Soviet Union were fisheries, such as Kyokuyo, a medium-sized company that was particularly favoured on the possibility that it would see speculative buying. Kyokuyo rose Y130 to Y1,740 in active trading.

The mining sector strengthened on news that a gold coin commemorating the reign of the new Emperor was to be minted. Sumitomo Metal Mining, a leading gold mining company, topped the actives list with 31.9m shares and closed with a strong gain of Y130 at Y2,100.

Weakness in large capitalisation steels and constructions did not stop the OSE average in Osaka from closing with a gain of 70.51 to 37,131.55. Turnover, however, was weak at 66.7m shares, down from the 89.5m traded on Friday. Nintendo, the video game maker, advanced Y800 to Y16,800 on prospects of strong sales ahead of the Christmas season.

Roundup

POLITICS, property and profit-taking were among the main influences on Asia Pacific markets yesterday, although the location and effect of each characteristic seems to change from time to time.

HONG KONG took to property again, as turnover rose from HK$782m to HK$926m and the Hang Seng index closed 15.99 higher at 2,820.28.

The property sub-index gained 1.4 per cent, pushed up by renewed rumours about possible restructuring within the Cheung Kong (Holdings) group. Cheung Kong put on 15 cents to HK$9.60, and Hutchison Whampoa 20 cents to HK$9.20.

A measure of the improved sentiment was that remarks made over the weekend by a high-ranking Chinese official, on the need to tighten political controls after Hong Kong reverts to China in 1997, were largely ignored by the market.

SINGAPORE rose in light, largely speculative trading, after the announcement of strong economic growth in the third quarter. Growth in the republic could now hit 9 per cent for the year against an earlier target of 6-7 per cent. The Straits Times Industrial index put on 7.69 to 1,345.34.

Volume rose to 46.1m shares and S$88m from 37.1m and S$62m previously. The main feature was strength in second line hotels due to the announcement of further room rate rises, of approximately 15 to 20 per cent, from January 1.

AUSTRALIA showed some early interest in gold shares after a fresh rise in the gold price, but profit-takers then took the sub-index down 0.5 per cent on the day within a virtually unchanged All Ordinaries index, up 1.2 at 1,635.6.

Turnover was boosted to 179m shares and A$429m, from 93m and A$156m, by large block sales of the oil company, Santos, which accounted for A$309m of the total.

MANILA made a new high, with the composite index 18.41 higher at 1,396.25, after Sunday's generally peaceful plebiscite on the government-sponsored bill for the autonomy of Moslem Mindanao in southern Philippines.

SEOUL shed another 10.86, the composite index closing at 889.97 as traders estimated that new stock totalling 1,000bn won will come on to the market during the next two weeks.

SOUTH AFRICA

PROFIT-TAKING and a retreat in the bullion price from its weekend highs trimmed early gains in gold shares in Johannesburg. The JSE all-gold index closed 7 points up at a provisional 1,977, after an early high of 1,989. The overall index ended 1 point down at 2,812.

EUROPE

Introspection combines with dearth of volume

THE Continent took a breather yesterday, with some bourses contemplating their navels and all suffering from a lack of volume, *writes Our Markets Staff.*

FRANKFURT was unmoved by the latest batch of company results. It came back to the year-long decline of the West German bond market, and to inflation worries after a 400-page report from a group of five economists to the Bonn government.

This mood of reappraisal, added to selective profit-taking, got much the same result as last Friday: the DAX index ended the day 1.18 higher at 1,532.70 after a 1.72 rise to 648.86 in the FAZ at mid-session. Volume declined again from DM5.4bn to DM4bn.

Domestic analysts said that the fall in bond prices, and the inflation fears have both been exaggerated. Equities, they said, were showing up better than expected in results like those from Schering, the chemicals company, yesterday and Volkswagen last week.

Engineers and steel companies were at the centre of buying activity, with Hoesch up DM8.50 at DM265.50 and Mannesmann, second top in the active stocks list, DM5.20 higher at DM274.50. Siemens topped the volume charts in turnover of DM438m, rising DM3.80 to DM593.30.

PARIS continued to be torn between Wall Street and domestic bid speculation, this time plumping for the former. A modest advance evaporated as Wall Street opened weaker, leaving the OMF 50 index 0.69 down at 503.66 and the real time CAC 40 index off 3.16 at 1,834.50. Volume remained low at an estimated FFr2bn, but there were pockets of interest.

La Rochette jumped FFr16.90, or 10 per cent, to FFr186.30 on renewed takeover speculation, with fellow paper company Pinault thought to be the interested party.

Pechelbronn, the financial holding company, was suspended at FFr1,615 amid news that the Worms group, the majority shareholder, planned to turn it into a limited partnership, restricting shareholders' voting rights, to protect it from takeover. The company was unhappy that Assurances Générales de France had acquired a stake of 17 per cent, said brokers James Capel.

Maisons Phénix, the house builder, plummeted FFr7.80, or 8.9 per cent, to FFr80, after rising sharply last week on plans by Cie Générale des Eaux to merge it with two property investment companies. The valuation put on Phénix for its proposed capital reduction and the recapitalisation has emerged as lower than expected, encouraging a bout of short selling.

Paribas said it would not increase its hostile bid for Mixte after Bouygues lifted its stake, thought to be a friendly one, in the latter. Paribas eased FFr7 to FFr597 and Mixte FFr25 to FFr1,855.

MILAN rose in volume which was sharply reduced by a nationwide bank strike. The Comit index gained 7.46 to 663.60.

Fiat set the tone of the market, rising L170 to L10,925 on the sustained buoyancy of the domestic and European motor industries, and on the potential link-up with Saab of Sweden. There were good performances from telecom groups like Stet, up L220 at L4,640, and Montedison rose L55 to L1,968 as Brussels seemed to take a more lenient view of its tax position.

ZURICH rose in light trading, the Crédit Suisse index closing 2.4 higher at 606.1. The employment services group, Adia, lost SFr75 to SFr8,025 as a bid for Hestair of the UK was rejected.

BRUSSELS ended little changed in thin trading, with a surge in the chemical stock UCB providing the main interest. UCB jumped BFr1,725, or 10 per cent, to BFr18,475, although only 2,500 shares were traded.

AMSTERDAM had another very quiet day, with shares ending lower in line with Wall Street. The CBS tendency index shed 0.7 to 178.8. Insurance companies were slightly higher before their third quarter results this week.

MADRID picked up for a second day, the general index closing just below the 300 level at 299.35, up 3.05, in spite of weakness in the banking sector. Construction stock Asland, which rose against the sector trend last week, added a further 12.5 points to 925 per cent of par.

STOCKHOLM recovered slightly from last week's fall of 5 per cent. The Affärsvärlden General index added 5.6 to 1,157.9 in fairly subdued trading.

Trading in Handelsbanken and Skanska Banken was suspended for the former's full bid for the latter at SKr480 per share, a 33 per cent premium over the B-share price on Friday.

OSLO closed 3.4 lower at 482.55 on the all-share index in very low volume. The shipping index was worst hit by profit-taking after recent gains.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 17 1989						THURSDAY NOVEMBER 16 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	146.97	+0.3	136.88	124.93	+0.2	5.33	146.57	137.71	124.69	160.41	126.26	145.42
Austria (19)	144.71	+0.3	136.74	138.62	+0.6	1.76	144.23	135.50	137.91	172.22	92.84	98.13
Belgium (63)	142.66	-0.3	134.61	135.98	-0.2	4.07	143.07	134.42	136.19	144.49	125.58	132.08
Canada (122)	149.61	+0.3	141.37	126.70	+0.3	3.21	149.19	140.14	126.31	154.17	124.67	114.98
Denmark (36)	222.68	+0.5	210.41	216.77	+0.8	1.46	221.50	208.11	215.40	222.68	165.35	149.42
Finland (26)	120.60	-0.9	113.96	106.07	-0.3	2.91	121.37	114.03	106.41	159.16	120.60	129.44
France (127)	132.98	+0.2	125.66	130.69	+0.5	2.84	132.72	124.70	130.07	139.94	112.57	110.36
West Germany (96)	98.73	+0.5	93.29	94.57	+0.8	2.18	98.22	92.28	93.70	103.84	79.56	86.95
Hong Kong (48)	118.62	+0.9	112.09	118.98	+0.6	4.78	117.97	110.83	118.33	140.33	86.41	106.16
Ireland (17)	157.24	-0.1	148.58	153.80	+0.2	2.88	157.41	147.89	153.54	166.69	125.00	132.92
Italy (97)	88.09	-0.2	83.24	89.14	+0.0	2.56	88.30	82.96	89.16	96.73	74.97	85.13
Japan (455)	186.00	-0.7	175.75	169.77	-0.3	0.48	187.38	176.05	170.26	200.11	164.22	186.44
Malaysia (36)	195.95	-0.1	165.16	204.13	-0.1	2.60	196.23	164.36	204.43	209.22	143.35	138.42
Mexico (13)	289.69	+0.0	273.73	836.17	+0.0	0.62	289.69	272.17	836.17	326.61	153.32	174.03
Netherland (43)	125.97	-0.3	119.94	119.41	+0.1	4.45	126.28	119.65	119.31	131.72	110.63	108.58
New Zealand (18)	75.49	+0.1	71.33	68.06	+0.3	5.19	75.38	70.82	67.89	88.18	62.64	72.60
Norway (24)	170.63	-0.8	161.24	160.21	-0.3	1.65	171.60	161.23	160.66	198.39	139.92	121.50
Singapore (26)	157.53	+0.9	148.86	142.32	+0.9	2.08	156.22	146.77	141.24	170.62	124.57	117.80
South Africa (60)	165.70	+0.8	156.57	144.01	+0.2	3.94	164.64	154.68	143.87	169.21	115.35	117.38
Spain (43)	151.29	+0.9	142.96	134.84	+0.4	3.88	150.01	140.94	134.27	169.75	143.14	151.59
Sweden (35)	165.00	-2.2	155.91	157.55	-2.1	2.17	168.79	158.58	160.91	166.94	138.45	133.14
Switzerland (64)	86.00	+0.9	81.27	87.07	+1.0	2.17	85.45	80.28	86.24	94.18	67.81	78.75
United Kingdom (305)	142.35	-0.1	134.51	134.51	+0.5	4.56	142.49	133.87	133.87	158.41	133.28	138.90
USA (546)	138.77	+0.3	131.13	138.77	+0.3	3.34	138.34	129.98	138.34	146.28	112.13	108.65
Europe (995)	124.55	+0.1	117.69	118.84	+0.4	3.54	124.48	116.95	118.32	132.95	112.63	114.79
Nordic (121)	165.76	-0.9	156.63	152.98	-0.7	1.86	167.25	157.13	154.10	178.38	137.95	127.47
Pacific Basin (668)	191.82	-0.7	171.91	165.91	-0.3	0.73	183.06	171.99	166.34	194.72	160.44	181.55
Euro-Pacific (1663)	158.99	-0.4	150.24	147.08	+0.0	1.62	159.70	150.04	147.13	166.98	141.56	154.84
North America (668)	139.31	+0.3	131.64	138.02	+0.3	3.39	138.89	130.49	137.59	146.66	112.79	108.97
Europe Ex. UK (690)	112.74	+0.2	106.53	109.21	+0.4	2.82	112.56	105.75	108.75	119.51	96.30	99.67
Pacific Ex. Japan (213)	131.66	+0.4	124.41	117.99	+0.3	4.83	131.17	123.23	117.60	140.05	111.93	123.14
World Ex. US (1858)	158.91	-0.4	150.07	146.60	+0.0	1.70	159.46	149.82	146.63	166.35	141.49	153.09
World Ex. UK (2099)	151.43	-0.2	143.09	144.85	+0.0	2.01	151.71	142.54	144.78	156.04	138.96	135.79
World Ex. So. Af. (2344)	150.51	-0.2	142.22	143.66	+0.1	2.21	150.79	141.67	143.74	155.92	136.67	136.16
World Ex. Japan (1949)	133.85	+0.2	126.48	130.58	+0.4	3.47	133.55	125.47	130.11	140.43	114.51	111.79
The World Index (2404)	150.60	-0.2	142.31	143.86	+0.1	2.22	150.87	141.75	143.74	158.89	136.68	136.05

Latest prices were unavailable for this edition.